Registration No.: | | | | | | | | | | |

Total Number of Pages: 02 **Course: MBA / MBAP**

Sub_Code: 18MBA402B / 18PTMBA602B

4th / 6th Semester Regular/Back Examination: 2023-24
SUBJECT: BEHAVIOURAL FINANCE
BRANCH(S): BA,BM,FM,FM&HRM,GM,HRM,LSCM,MBA,MBA (M & F),MM,RM, MBAP
Time: 3 Hour
Max Marks: 100
Q.Code: P481

Answer Question No.1 (Part-1) which is compulsory, any eight from Part-II and any two from Part-III.
The figures in the right hand margin indicate marks.

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Part-I

Q1 **Answer the following questions:** **(2 x 10)**

a) What is transitivity in the context of rational preferences of individuals?
b) What is house money effect? Explain with example.
c) Explain loss aversion with example.
d) Explain risk aversion with example.
e) Differentiate Lottery and insurance in the context of behavioural finance.
f) Explain the concept of anchoring.
g) What is availability bias? Explain with example.
h) Differentiate self-confidence and overconfidence in the context of stock investment.
i) What is gambler's fallacy? Explain with examples.
j) Explain representativeness bias with an example.

Part-II

Q2 **Only Focused-Short Answer Type Questions- (Answer Any Eight out of Twelve)** **(6 × 8)**

a) What do you mean by heuristics? While some are automatic in nature others are cognitive in nature. Explain with examples each such category.
b) Discuss the scope of behavioural finance.
c) What are the neo-classical thoughts of finance?
d) Discuss the concept of 'bounded rationality'.
e) Explain disposition effect with reference to investment decision-making.
f) Discuss in detail the endowment bias and its impact on individual decision making.
g) Explain the thought process of an investor under the influence of cognitive dissonance.
h) Discuss the nature of different types of investors in the stock market.
i) Assume that you are the corporate Finance Manager and huge cash is at your disposal for making a productive investment. Discuss the biases you are likely to encounter while investing the amount.

j) What is herd mentality in stock market? Explain its possible fallouts with respect to investment in shares of companies.

k) Narrate the snake bite effect of the individual investors.

l) Discuss the steps taken for reducing or eliminating the biases in investment decisions of individual investors.

Part-III

Only Long Answer Type Questions (Answer Any Two out of Four)

Q3 Discuss the characteristics of extremely successful investors of stock market. **(16)**

Q4 What is a bubble? What are the characteristics of bubbles? Explain how it occurs. What happens when bubble bursts? **(16)**

Q5 Discuss the human emotions with respect to investment in stock market and the stages emotional set back and recovery process the investor passes through. **(16)**

Q6 **CASE ANALYSIS** **(16)**

Mr. Rajesh bought 1000 shares each of KPC Ltd. and ABC Ltd. at Rs. 290 and Rs. 185 respectively on December, 2022. Within 10 months in September, 2023, he had an urgency to meet an expenses of Rs 2, 00,000/-. He saw the current market price of KPC Ltd had fallen to Rs. 80/- and ABC ltd. price has gone up to Rs. 300 per share. He sold 700 shares of ABC Ltd at Rs. 300/- to meet his urgent requirement. He retained all the shares of KPC Ltd as its price had fallen and he hoped that it might bounce back in near future.

- Analyse the action of Mr. Rajesh.
- Was it a correct decision? Is there any optimal solution to this. Advise.
- Assume, the short-term capital gains tax rate is 20% and long-term capital gains tax is 10%.

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