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Total Number of Pages: 02

Course: MBA
Sub_Code: 18MBA402B

4th Semester Regular/Back Examination: 2024-25

SUBJECT: BEHAVIOURAL FINANCE

BRANCH(S): BA, FM, FM&HRM, GM, HRM, IB, LSCM, MBA, MBA (M & F), MM, RM

Time: 3 Hours

Max Marks: 100

Q.Code: S099

Answer Question No.1 (Part-I) which is compulsory, any eight from Part-II and any two from Part-III.

The figures in the right hand margin indicate marks.

Part-I

Q1 Answer the following questions: (2 x 10)

- I use trend analysis for some stocks and based on the analysis, I invest in the stock of the same sector.
- I compare the current stock price with the 52 week high and low for my next investment.
- I use my stock market knowledge and predictive skills to time the market so that my portfolio shall outperform the market return.
- I am able to predict the end of a bullish or bearish run on NSE.
- When I foresee a sure gain, I don't take a chance, so I sell to avoid risk of a fall.
- I have a tendency to hold stocks as I feel the pain of seeing my stock falling more than the joy of seeing its rise.
- I am concerned with the performance of each stock individually than the portfolio as a whole.
- Other investors' decisions of buying and selling stocks have impacts on my investment decisions.
- I do not sell the stock gifted by my father to late father even if it has gone up substantially.
- I love to invest in shares when I see a 60% prospect of 15% gain than in shares where I see a 40% chance of losing 15% return.

Part-II

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

- Distinguish between BFMI and BFMA
- What is ambiguity aversion bias? Explain with an example bring out the risk perspectives of the investor.
- Who is an average investor? What are the characteristics to identify an average investor?
- Discuss how psychology is one of the building blocks of behavioural finance.
- Explain in detail the model of prospect theory.
- Every individual, irrespective of his education has his own mental accounting. Do you agree with this statement? Justify your answer.

- g) Explain how and when people exhibit the phenomenon of gambler's fallacy
- h) Write a short note on confirmation bias.
- i) What are the external factors that impact the behavioural bias?
- j) What is corporate behavioural finance?
- k) Explain the dynamism of overconfidence in affecting financial decisions
- l) Suppose you have purchased 100 shares each of the two stocks A and B at the rate of Rs. 300 and Rs. 100 respectively. In the first year, the rate of A has become Rs. 120 and that of B Rs. 320. You need Rs. 30,000 suddenly to meet some medical emergency. You want to dispose certain shares. Explain the best course of action with proper assumption and justification.

Part-III

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

(16 x 2)

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| Q3 | Every investor go through an emotional setback while investing in the shares. Elucidate such setbacks. | (16) |
| Q4 | Discuss the essential ingredients to become a successful investor. | (16) |
| Q5 | What is a bubble? Explain how it is created. What should you do to avoid being a party to such bubble? | (16) |
| Q6 | Explain the following:
a. Rational decision making process
b. Types of investors. | (16) |