Total No. of printed pages = 2

BA 17230F1

Roll No. of candidate

6/3/2021

M.B.A. 3rd Semester End-Term Examination

BEHAVIOURAL FINANCE

(New Regulation / All New Syllabus w.e.f. 2017-2018)

Full Marks – 70   Time – Three hours

The figures in the margin indicate full marks
for the questions.

Answer question No. 1 and any *four* from the rest.

1.   Fill up the blanks :   (10 × 1 = 10)

   (i)   People maximises _____ and firms maximises _____.

   (ii) Expected Utility Theory was given by _____ and _____

   (iii) Allais paradox is the documented contradiction of _____ Theory.

   (iv) _____ is the tendency of people to overestimate the precision of their knowledge.

   (v)   _____ bias influence people to invest more in local stocks.

   (vi) The value of a good/thing seems to increase once a person owns it and this is due to _____ effect.

   (vii) A _____ frame can be said to be a decision-maker's view of the problem and possible outcomes.

   (viii) Heuristics which make important/more widely reported events more memorable is _____ bias.

   (ix) In social experiment of Dictator Game, _____ of the people is measured.

   (x)   _____ is a rational, self-interested decision-maker.

[Turn over

2. (a) What do you mean by 'prospect'? Does Prospect Theory work with nonmonetary outcomes? Illustrate your answer with suitable examples.

$(2 + 6 = 8)$

(b) Given two prospects - P1(0.001, -$5000) and P2(1.0, -$5). According to Prospect theory, which is the preferred choice? Support your answer with mathematical calculation.

(7)

3. (a) Explain the difference between Normative theory and Positive theory? Is Prospect theory a normative theory? If so, why?

$(2 + 3 = 5)$

(b) Define heuristics and differentiate between Type I and Type II heuristics with suitable examples.

(5)

(c) Define anchoring. What explains anchoring?

$(2 + 3 = 5)$

4. (a) Explain overconfidence and its strains.

(5)

(b) Are people equally and consistently overconfident? Explain.

(5)

(c) Discuss the behavioural biases that normally contribute to the durability of overconfidence.

(5)

5. (a) Discuss briefly the evolution of Emotional response theory.

(10)

(b) 'Emotion has an important influence on reasoning'. Do you agree? Justify your answer.

(5)

6. (a) Elaborate the financial behaviours that stem from familiarity.

(5)

(b) Is the mood of the investor the mood of the market?

(5)

(c) What evidence is there that people do not diversify enough? Why is it that this occurs?

(5)

7. Write notes on (Any THREE)

$(3 \times 5 = 15)$

(a) Expected Utility Theory

(b) Mental Accounting

(c) Fourfold pattern of risk attitudes

(d) Fairness, reciprocity and trust

(e) Neurofinance.