

GUJARAT TECHNOLOGICAL UNIVERSITY**MBA - SEMESTER– III EXAMINATION – WINTER 2019****Subject Code: 4539282****Date:02-12-2019****Subject Name: Behavioural Finance****Time: 10:30 AM TO 1.30 PM****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Q. No.	Answer the following in brief	Marks
Q.1	(a) Loss aversion bias (b) Classical thought of finance (c) Illusion of knowledge (d) Noise trading (e) Benford's law (f) MICE (g) Hindsight bias	14
Q.2	(a) Identify the differences between rational / classical finance and behavioral finance and explain them in detail.	07
	(b) EMH states that investors are rational. Behavioral finance states they are not. Justify your stand by explaining market and investor behaviour supporting your stand.	07
OR		
	(b) Write a note on the below mentioned contributor of behavioral finance: 1. Daniel Kahneman and Amos Tversky 2. Richard Thaler 3. Michael Pompain	07
Q.3	(a) Write in detail some of the important heuristics.	07
	(b) Differentiate cognitive and emotional bias. Explain some the important emotional biases in detail.	07
OR		
Q.3	(a) How do biases interact? Explain various ways through which one can overcome biases and debiases.	07
	(b) What is value investing? Write the value investment behaviour of Warren Buffet.	07
Q.4	(a) What do you understand by anomaly? What are different market anomalies as per behavioral finance?	07
	(b) How behavioral finance explains bubbles? Explain in detail various causes of bubbles.	07

OR

- Q.4** (a) What is Forensic Accounting? Explain the role of FA in detecting corporate frauds. **07**
- (b) What is neurophysiology? Why the study of neurophysiology important for investment advisor? **07**
- Q.5** The question is a matter of life and death: a new disease is sweeping across the country, and epidemiologists project it will claim the lives of 600 people. Scientists have proposed two alternative programs to address the outbreak, and you must decide which to implement
- If program A is adopted, 200 people will be saved.
 - If program B is adopted, there is a one-third probability that 600 people will be saved, but a two-third probability that no one will be saved at all.
- (a) Which one do you select? Why? **07**
- (b) Explain in detail the prospect theory in line with the above situation. **07**
- OR**
- Q.5** (a) What are the key tenets of prospect theory? **07**
- (b) According to you, how would a gambler take the decision in the above situation? Explain **07**
