

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER - 3 - EXAMINATION – SUMMER 2021

Subject Code: 4539282

Date: 13/08/2021

Subject Name: Behavioural Finance

Time: 02:30 PM TO 05:30 PM

Total Marks: 70

Instructions:

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

- Q.1** Define below given terms: (Attempt all) **14**
- (a) Heuristics
 - (b) Familiarity
 - (c) Herding
 - (d) Status Quo
 - (e) Prospect theory
 - (f) Mental Accounting
 - (g) Cognitive thinking
- Q.2** (a) What do you mean by behavioural finance? Explain the importance of this discipline. **07**
- (b) How will the knowledge of behavioural finance help the investors in making better investment choices? **07**
- OR**
- (b) What is mental accounting? Is it beneficial from financial perspective? Give reasons with the help of relevant example. **07**
- Q.3** (a) Discuss in detail the role of the two major brain systems and their influence on financial decisions. **07**
- (b) How does herding tendencies of investors affect the stock market? Explain in detail with examples. **07**
- OR**
- Q.3** (a) How neurofinance does differ from traditional finance and behavioural finance? **07**
- (b) 'Heuristics evolved in order to bring ease to the decision-making processes. Comment. **07**
- Q.4** (a) What is forensic accounting? Explain its importance. **07**
- (b) Do mood, emotion and sentiment influence the mental frame and behaviour of investor behaviour? If yes/no, then explain with the help of suitable example. **07**

OR

- Q.4 (a)** Explain the value investing and significance of value investing. **07**
- (b)** 'Loss aversion is the root cause of various other biases like the disposition effect'. Do you agree? Explain your answer with reference to investment behavior. **07**

Q.5 CASE STUDY:

Rita is scared of investing in stock market because of the risks associated with it. Therefore, she invests in 'safe' avenues like treasury notes. She puts ₹50,000 in a 1-year Treasury bill and the same amount in a 10-year Treasury bill. Rita is satisfied that her money is safe with these investments. However, her friend Derek analyses her financial performance only to find that the results are not as satisfactory as she thinks. The 1-year Treasury bill is making money which is only enough to buy her a coffee while the earnings on the 10-year Treasury bill would not even take care of her weekly grocery expenditure.

- (a) Which behavioural mistake do you think Rita has made? **07**
- (b) Explain prospect theory with Rita's example. **07**

OR

- Q.5 (a)** Which behavioral bias Rita is experiencing? Please explain with prospect theory. **07**
- (b)** How can Rita overcome her behavioral bias? **07**
