

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA– SEMESTER –III-EXAMINATION – WINTER-2023

Subject Code:4539282**Date: 02-12-2023****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.
4. Use of simple calculators and non-programmable scientific calculators are permitted.

Q.1 Define the following terms: **14**

- (a) MICE
- (b) Benford's law
- (c) House-money effect
- (d) Random walk hypothesis
- (e) E-fraud
- (f) Anchoring
- (g) Hindsight bias

Q.2 (a) Differentiate cognitive and emotional bias. Explain some the important emotional biases in detail. **07**

(b) Why study of Behavioral finance is needed in 21st century? Explain the difference between Standard Finance and Behavioral Finance? **07**

OR

(b) Discuss the basic ingredients of a sound investment philosophy, focusing on the Warren Buffet way of Investing **07**

Q.3 (a) What are market anomalies? Discuss various financial market anomalies. **07**

(b) How the biases interact among themselves? How they affect the financial decision-making process? **07**

OR

Q.3 (a) Explain Prospect theory in detail with example. **07**

(b) Which are the tools to be used for forensic accounting? **07**

Q.4 (a) What is Forensic Accounting? Explain the various tools of applied in Forensic Accounting. **07**

(b) ITC stock is selected by Shraddha because of good fundamentals & suggestion by one of her friends. Explain the theory behind her investment decision. **07**

OR

- Q.4** (a) Do you think Market Bubble does have impact on global economy? State any two-market bubble of past with their impact on economy. “Bubbles are created because of investor rationality”. Discuss three bubbles in financial history with their reasons and outcomes **07**
- (b) Write a note on evidence and prospect of value investing. **07**

Q.5 **CASE STUDY:**

Ajay has a great preference for lavish and luxury things. In the current pandemic period, he could not compromise on his living standards and has eroded all his savings for his luxurious life style. He was not at all concerned about his/ family future security. Ajay in the current pandemic period has opened up a monthly investment account and analyzed the investments for winners and losers. Looking that some of the investments have lost money and some have gained, Ajay changes his investment under the influence of loss aversion bias.

- (a) Which bias is demonstrated by Ajay other than Loss aversion? Explain it in detail. **07**
- (b) What should he do to avoid this bias and what are his consequences? **07**

OR

- Q.5** (a) Discuss how Ajay is likely to respond given a loss-aversion bias **07**
- (b) Explain the consequences of loss aversion bias on his investments. **07**
