

**MBA**  
**THEORY EXAMINATION (SEM-IV) 2016-17**  
**BEHAVIOURAL FINANCE**

*Time : 3 Hours*

*Max. Marks : 100*

*Note : Be precise in your answer. In case of numerical problem assume data wherever not provided.*

**[SECTION – A]**

- 1 Explain the following. [2x10=20]**
- (a) What is cognitive dissonance?
  - (b) What is mental accounting?
  - (c) What is the Ellsberg Paradox?
  - (d) What is the Efficient Market Hypothesis?
  - (e) Define expected utility.
  - (f) Explain the disposition effect?
  - (g) What is fundamental risk?
  - (h) What is hindsight bias and how does it affect investor behaviour?
  - (i) Discuss any two types of arbitrage.
  - (j) What are Geomagnetic storms?

**[SECTION – B]**

- 2 Attempt any five questions from this section. 10x5=50**
- a. Discuss the prospect theory given by Kahneman and Tversky. What are its implications regarding the financial behaviour of investors?
  - b. 'If financial markets are efficient there should be no opportunity for arbitrage, but arbitrage is important for bringing efficiency to markets'. Discuss this statement.
  - c. What is an anomaly? Discuss the various financial market anomalies.
  - d. What is rationality? How is rationality from an economic perspective different from an evolutionary perspective?
  - e. Who is an investor? Discuss their types. What are the characteristics of successful investors?
  - f. What is behavioural corporate finance? Discuss the empirical data on the effect of dividend presence or absence on behavioural corporate finance.
  - g. What is the effect of external factors on the decision making of an investor?
  - h. What is herding behaviour? Discuss whether herding behaviour in the financial markets is rational.

**[SECTION – C]**

- Attempt any two questions. [15x2=30]**
- 3. "Bubbles are created because of investor rationality". Discuss three bubbles in financial history with their reasons and outcomes.
  - 4. 'Financial decision-making is related to investor emotions'. Discuss this statement in detail.
  - 5. Discuss the reasons behind the evolution of behavioural finance. What are the major milestones in the development of the discipline of Behavioural Finance?