GUJARAT TECHNOLOGICAL UNIVERSITY
MBA SEMESTER- III - EXAMINATION-SUMMER-2024

Subject Code: 4539282   **Date: 26/04/2024**
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.
4. Use of simple calculators and non-programmable scientific calculators are permitted.

Q. No.	(2*7=14)	Marks
Q.1	(a) Behaviour	**14**
	(b) Cognitive Dissonance	
	(c)Emotions	
	(d) Bounded Rationality	
	(e) Anomalies	
	(f) Prospect theory	
	(g) Heuristics	

Q.2 **(a)** Behavioral finance often challenges the traditional efficient market hypothesis (EMH). Explain the EMH and provide examples of how behavioral biases can lead to market inefficiencies.   **07**

(b) Do you think Market Bubble does have impact on global economy?   **07**

OR

(b) Describe how the "herding behavior" of investors can contribute to market bubbles and crashes. Provide real-world examples.   **07**

Q.3 **(a)** Explain the concept of "anchoring" in the context of behavioral finance. Provide an example of how anchoring can impact investment decisions.   **07**

(b) Distinguish between fundamental & calendar anomalies by giving practical examples   **07**

OR

Q.3 **(a)** What is the Role of neural functions during financial decision making process?   **07**

(b) Distinguish between Framing Bias and Mental Accounting.   **07**

Q.4 **(a)** Critically evaluate the tools of Neurofinance that helped in financial decision making.   **07**

(b) Mr. Pankaj is selecting the stocks for investment of Ten lakh rupees. Suggest him some ways to avoid the biases in his decision making.   **07**

OR

Q.4 **(a)** Differentiate cognitive and emotional bias. Explain some the important emotional biases in detail   **07**

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

Q.5   Mrs. Asha is a married, home maker,forty year old. Her primary investment goal is to get regular Income from her Investments and assets; she does not, under any circumstances, want to lose money. Mrs. Asha exhibits these behavioral biases: • loss aversion (the tendency to feel the pain of losses more than the pleasure of gain), • anchoring and adjustment (the tendency to believe that current market levels are "right" by unevenly weighting recent experience), and • selective memory (the tendency to recall only events consistent with one are understanding of the past).

(a)   What effect do a client's biases have on the asset allocation decision?   **07**

(b)   Should you moderate or adapt to these biases?   **07**

<div align="center">OR</div>

Q.5   Sarah is a 35-year-old professional with a stable job and a strong desire to build wealth for her retirement. She started investing in the stock market five years ago with the goal of achieving long-term financial security. Sarah's portfolio consists of a mix of stocks, bonds, and mutual funds.

(a)   Evaluate her behavior in context of Overconfidence Bias, anchoring and adjustment, loss aversion bias?   **07**

(b)   How does behavior impact finance decision?   **07**

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