

Seat No.: \_\_\_\_\_

Enrolment No. \_\_\_\_\_

## GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER– III EXAMINATION – WINTER 2020

Subject Code:1539346

Date:05/01/2021

Subject Name:Behavioral Finance

Time:10:30 AM TO 12.30 PM

Total Marks: 47

Instructions:

1. Attempt any THREE questions from Q1 to Q6.
2. Q7 is compulsory.
3. Make suitable assumptions wherever necessary.
4. Figures to the right indicate full marks.

- Q.1 a Explain the following terms: 06**
1. Financial Market
  2. Risk Free Assets
  3. Expected Utility
  - 4.
- Q.1 b Explain the following terms: 06**
1. Beta
  2. Magical Thinking
  3. Affinity
- Q.2 (a) Being Financial Advisor in Behavioural Finance, discuss the process and future scope of Neurofinance. 06**
- Q.2 (b) Your ego is your conscious mind, the part of your identity that you consider your "self.". Explain the Ego centricity theory of Behaviour Finance in detail. 06**
- Q.3 (a) 'Forensic accounting is a specialty practice area where accounting, auditing and investigative skills are used to analyze information.' Discuss the tools of forensic accounting with respect to given statement. 06**
- Q.3 (b) Overconfidence refers to a biased way of looking at a situation. Discuss causes of overconfidence with respect to self-deception 06**
- Q.4 (a) What do you mean by Financial Market anomalies? Discuss various anomalies exists in the market. 06**
- Q.4 (b) Discuss Psychographic models of Behavioural aspects of Investing. 06**
- Q.5 (a) Zurich Axioms are a set of major and minor axioms about risk and returns. Discuss in brief these axioms. 06**
- Q.5 (b) What is value investing? Write the value investment behaviour with respect to central tenets. 06**
- Q.6 (a) How Behavioural Corporate Finance would be helpful to organization? Being a manager of finance department of multinational firm, discuss its approaches. 06**
- Q.6 (b) Investors are living beings, after all, and bias can cloud their judgment. State various categories of Bias and mistakes associated with them. 06**

**Q.7**

Nirav and Sneha is a newly married couple and can use a framing shortcut by placing their money into a single joint saving account with Cheque facility or they can use an alternative framing shortcut by placing their money into two separate saving accounts with cheque facility—one for the husband and one for the wife. Framing is a cognitive shortcut, such as framing money into one or two actual saving accounts or into one or two mental accounts we keep in our minds. Each shortcut involves considerations of utilitarian, expressive, and emotional benefits and costs.

Utilitarian considerations include differences in bank fees/charges for a joint saving account or two separate saving accounts and differences in the likelihood of an overdraft, such as when a wife is unaware of a cheque drawn by her husband on their joint saving account. Expressive and emotional considerations include openness and trust between the husband and wife sharing a joint saving account and the financial independence and power of the husband and wife each having a separate account.

Neither a joint saving account nor two separate saving accounts are necessarily errors. Sometimes, however, shortcuts turn into errors, imposing costs greater than benefits and diverting us from our wants.

- (a) What is Framing? Discuss role of Framing as Cognitive Bias in above case. **5.5**
- (b) Discuss the Cognitive Bias of Representativeness from the above case. **5.5**
  
- (a) How Behavioural Finance will be useful in light of Emotional Bias? **5.5**
- (b) Discuss any one human Behavioural theory with respect to given details in case. **5.5**

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