

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA – SEMESTER -III– EXAMINATION – WINTER 2021**

**Subject Code: 4539282****Date: 17-02-2022****Subject Name: Behavioural Finance****Time:10:30 AM TO 01:30 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** Answer the following in brief. **14**

1. Random walk hypothesis
2. Value Anomaly
3. Macro Behavioural finance
4. Limits to Arbitrage
5. House-money effect
6. FMRI
7. Mr. Market and Mr. Value

**Q.2 (a)** Examine the Foundation blocks of behavioral finance in details. **07**

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

**OR**

**(b)** Mr. A is selecting the stocks for investment of One lakh rupees. Suggest him some ways to avoid the heuristic bias in his decision making. **07**

**Q.3 (a)** Investors hold on the losing stocks and sell the winning stocks soon. Validate the same in light of prospect theory. **07**

**(b)** Suresh is working as a teller in one of the cooperative bank. Based on his weak performance, he has been not given any bonus in the consecutive year and second teller got Rs. 30,000 bonus in that year. In next year, Suresh has done fraud of Rs 50lakh. Judge the behavior of Suresh. **07**

**OR**

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

**(b)** Tata Motors stock is selected by Mr. A because of good fundamental & suggestion by one of his friend. Explain the theory behind Mr. A investment decision. **07**

- Q.4 (a)** If You have been appointed as an external investigating officer for one of the fraud in bank, which instruments you will use to detect the scam? **07**
- (b)** Distinguish between Framing Bias and Mental Accounting. Support it by giving practical examples. **07**

**OR**

- Q.4 (a)** Critically evaluate the tools of Neurofinance that helped in financial decision making. **07**
- (b)** Suggest and validate some strategies to manage CEO overconfidence. **07**

**Q.5** It originated in the early 1990s, lasted about a decade and burst in 2000s.corporate application of IT multifold around the globe, creating strong demand for hardware and software. Aided by WWW, windows operating system and internet explorer, there was a real revolution. Many IT companies and internet oriented dotcom companies entered stock market through IPO. Most of the companies got huge success. The dow jones index, NASDAQ reached its peak in 2000.in this period almost all indices scaled new heights. By the autumn of 2001, stock indices returned to their 1998 levels. A number of factors contributed to the sudden collapse of the IT and communication shares like coverage provided by the media about creative accounting of such companies, antitrust case against IT giant, investors sentiments etc. In addition, March 2000 the Federal Reserve board hiked the base rate by 25% points from 6%. This month witnessed continuous fall in NASDAQ. Some of the reasons for market rise and falls are market deficiencies, deficiencies in government policies, less than expected profit and some of the scams and scandals involving the companies. The scandals resulted in loss of trust in the market. Whatever be the reason of the bubble burst, the ultimate result is the deterioration of investor confidence.

- (a)** Analyze the various phases of Bubble. **07**
- (b)** Evaluate the factors that resulted into the market crash. **07**

**OR**

- (a)** Classify the bubbles in the above case study. **07**
- (b)** Critically reason out the causes of bubble. **07**

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