



M.B.A. III Semester Degree Examination, April/May - 2024

Behavioural Finance

(NEP)

Time : 3 Hours

Maximum Marks : 70

Note : (i) Answer **any five** of the following questions with **Question No.1 Compulsory**.

(ii) Each question carries **equal** marks.

1. Case : The Overconfident Investor
Aliya, a 40 year-old marketing manager has a healthy income and a growing interest in investing. She's been reading financial news and blogs, and feels confident in her ability to pick winning stocks. Sarah decides to forgo a financial advisor and manages her own investment portfolio, focusing on technology stocks as she believes they have high growth potential.
Questions:
(a) What behavioural biases might be influencing Aliya in investment decisions ? **5**
(b) What are the potential risks of her approach ? **5**
(c) How can Aliya make more informed investment decisions ? **4**
2. Distinguish between traditional finance and behavioural finance. **14**
3. Discuss Agency theory of behavioural finance highlighting the problems associated with agency theory. **14**
4. What is Cognitive Bias ? Explain different types of cognitive bias in behavioural finance. **14**
5. Differentiate between seasonal traders and angel investors, also discuss the characteristics of successful investors. **14**
6. Define the term Heuristic. Compare and contrast availability Heuristics with representative Heuristics. **14**
7. What is bubble ? Explain the process of bubble creation and bubble burst in behavioural finance. **14**
8. Explain the below terms.
(a) Regret theory **5**
(b) Herding **5**
(c) Anchoring **4**

- o o o -

