

## IMBA in FS Sem.-6 Examination

FS - 605

Behaviour Finance

May-2025

Time : 2-30 Hours]

[Max. Marks : 70

**Instructions:**

- Figures to the right indicate Full Marks.
- Do not write anything on the question paper.
- Simple calculator is allowed. Do not use a scientific calculator.

Q.1	"Imagine a person sees the stock market going down and quickly sells all their shares out of fear, even though experts say it's just a temporary drop. Why do people make such emotional money decisions? What is behavioral finance, and how does it explain this kind of behavior? Discuss the meaning and nature of behavioral finance in this situation."	14
	<b>OR</b>	
Q.1	"What are the key trends and insights of behavioral finance in India? Explain how Indian investors' habits and decisions are influenced by emotions, culture, and market behavior."	14
Q.2	<p>Answer the question on the basis of the given case scenario –</p> <p>Mr. Tarun is a 35-year-old professional who has recently started investing in the stock market. Despite being well-informed about market fundamentals, he often struggles with his investment decisions. For example:</p> <ul style="list-style-type: none"> <li>• Tarun purchased shares of a company based on a friend's suggestion, even though he had no prior knowledge about the company's financials.</li> <li>• During a market downturn, Tarun sold his shares in panic, fearing further losses, even though financial experts advised holding on to investments for the long term.</li> <li>• After making a significant profit from one stock, Tarun started investing heavily in similar stocks, expecting the same results without evaluating their performance.</li> <li>• Tarun avoids investing in stocks of companies he has never heard of, even if they have good growth potential, preferring to stick to well-known names.</li> </ul>	14

(P.T.O)

Q.2	<p><b>Question:</b> Identify the behavioral biases evident in Tarun's investment decisions. How might these biases impact his overall financial portfolio?</p> <p style="text-align: center;"><u>OR</u></p> <p>What is prospect theory? Discuss its features and how it works?</p>	14
Q.3	<p>What is the disjunction effect, what causes it, and how does it affect financial behavior? Also, how can we reduce or overcome this effect?"</p> <p style="text-align: center;"><u>OR</u></p> <p>Discuss the asymmetric information theory in detail.</p>	14
Q.4	<p>List out the ways to break cognitive bias and minimize its effect.</p> <p style="text-align: center;"><u>OR</u></p> <p>Write detailed note on emotional biases.</p>	14
Q.5	<p>Attempt <b>any seven</b> questions. <b>(2 marks each)</b></p> <ol style="list-style-type: none"> <li>1. What is salience bias?</li> <li>2. Describe self-serving bias.</li> <li>3. What are heuristics?</li> <li>4. Explain functional fixedness.</li> <li>5. What are the common causes of cognitive biases?</li> <li>6. What are the consequences of status quo in investing.</li> <li>7. Distinguish between traditional finance and behaviour finance.</li> <li>8. What is explicit bias?</li> <li>9. Explain the concept of mental accounting.</li> <li>10. What is efficient market hypothesis (EMH)?</li> </ol>	14