Printed Pages : 1   **Roll No.** ☐☐☐☐☐☐☐☐☐☐☐   **NMBA044**

MBA
THEORY EXAMINATION (SEM–IV) 2016-17
BEHAVIOURAL FINANCE

Time : 3 Hours   *Max. Marks : 100*

Note : *Be precise in your answer. In case of numerical problem assume data wherever not provided.*

[SECTION – A]

1   **Explain the following.**   **[2x10=20]**

(**a**) What is cognitive dissonance?

(**b**) What is mental accounting?

(**c**) What is the Ellsberg Paradox?

(**d**) What is the Efficient Market Hypothesis?

(**e**) Define expected utility.

(**f**) Explain the disposition effect?

(**g**) What is fundamental risk?

(**h**) What is hindsight bias and how does it affect investor behaviour?

(**i**) Discuss any two types of arbitrage.

(**j**) What are Geomagnetic storms?

[SECTION – B]

2   **Attempt any five questions from this section.**   **10x5=50]**

a. Discuss the prospect theory given by Kahneman and Tversky. What are its implications regarding the financial behaviour of investors?

b. 'If financial markets are efficient there should be no opportunity for arbitrage, but arbitrage is important for bringing efficiency to markets'. Discuss this statement.

c. What is an anomaly? Discuss the various financial market anomalies.

d. What is rationality? How is rationality from an economic perspective different from an evolutionary perspective?

e. Who is an investor? Discuss their types. What are the characteristics of successful investors?

f. What is behavioural corporate finance? Discuss the empirical data on the effect of dividend presence or absence on behavioural corporate finance.

g. What is the effect of external factors on the decision making of an investor?

h. What is herding behaviour? Discuss whether herding behaviour in the financial markets is rational.

[SECTION – C]

Attempt any two questions.   **[15x2=30]**

3. "Bubbles are created because of investor rationality". Discuss three bubbles in financial history with their reasons and outcomes.

4. 'Financial decision-making is related to investor emotions'. Discuss this statement in detail.

5. Discuss the reasons behind the evolution of behavioural finance. What are the major milestones in the development of the discipline of Behavioural Finance?