

2112M047

BACHELOR OF VOCATION
Management Financial Services
Subject: Behavioral Finance
Subject Code: MFM-502
Semester: First
December 2021
Theory (External): 70 Marks
Time: 03 Hours

Instructions to the Students

1. This Question paper consists of two Sections. All sections are compulsory.
2. Section A comprises 10 questions of objective type in nature. All questions are compulsory. Each question carries 2 marks.
3. Section B comprises 8 essay type questions out of which students need to do any 5. Each question carries 10 marks.
4. Read the questions carefully and write the answers in the answer sheets provided.
5. Do not write anything on the question paper.
6. Wherever necessary, the diagram drawn should be neat and properly labelled

Roll Number									

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SECTION –A (SHORT/OBJECTIVE TYPE QUESTIONS)
(10x2=20 Marks)

- A What type of cognitive biases is law of small numbers?
- B What is herd behaviour
- C What are examples of mental accounting?
- D What are the key elements of prospect theory?
- E How can financial markets be more efficient?
- F Explain the insights which behavioural finance about investor behaviour.
- G Write a short note on event studies.
- H What is naïve trading?
- I Briefly explain managerial irrationality.
- J Discuss the strains of overconfidence.

SECTION –B (ESSAY TYPE QUESTIONS)
(5x10=50 Marks)

- 1 What is behavioural finance? Explain the history of behavioural finance; standard finance to behavioural finance.
- 2 What is the role of limits to arbitrage in behavioural finance? What factors can limit the power of arbitrage?
- 3 Explain 4 cognitive heuristics biases with example.
- 4 What is the meaning of endowment effect? What is endowment effect on investor behaviour?
- 5 Differentiate the following:
 - a) Good company and good stock
 - b) Momentum chaser and contrarian
 - c) International diversification and domestic diversification
 - d) Anchoring and herding
- 6 Define investor behaviour? What are the factors which effect investor buying and selling decisions?
- 7 Define capital structure, why capital structure decisions are important for investors?
- 8 Discuss the impact of social influence on investment and consumption.

*****END OF PAPER*****