Roll Number..........................

Sl. No.	:	**6856**
Unique Paper Code :		**2923100016**
Name of the Paper	:	**Behavioral Finance (DSE)**
Name of the Course	:	**BMS (NEP: UGCF-2022)**
Semester	:	**VIII**
Duration	:	**3 Hours**
Maximum Marks	:	**90**

Instructions for candidates

- Attempt any 5 questions and answer all parts of each question together.
- All questions carry equal marks
- Any assumptions made by you while attempting a question must be clearly stated.

Q1.

(a) Explain the evolution, key themes, and applications of Behavioural Finance. Discuss how Behavioural Finance differs from Traditional Finance. (9 Marks)

(b) Explain the concept of Limits to Arbitrage. Discuss Market Efficiency, Fundamental Risk, Noise Trader Risk, and Implementation Costs. (9 Marks)

Q2.

(a) What are Framing Effects and Heuristics in Behavioural Finance? Discuss how framing and heuristic-driven decisions influence investors' financial judgments with suitable examples. (9 Marks)

(b) Explain the role of Heuristics and Biases in investment decision-making. Discuss any three common biases. (9 Marks)

Q3.

(a) Explain the concept of Emotional Finance. Discuss the relationship between emotions and investment behaviour. (9 Marks)

(b) Discuss the practical implications of Emotional Finance with special reference to Risk perception, Momentum investing, and the Bad News Anomaly in financial markets. (9 Marks)

Q4.

(a) Explain Overconfidence Bias and Representativeness Heuristic. How do these biases affect investors' decisions? (9 Marks)

(b) Discuss Loss Aversion, Mental Accounting, and Regret Avoidance with suitable examples. (9 Marks)

Q5.

(a) Explain the financing decisions of Optimistic Managers in the context of Behavioural Corporate Finance. Discuss how managerial biases influence capital structure decisions of firms.

(9 Marks)

(b) Discuss the impact of managerial overconfidence and optimism on Capital Budgeting Decisions. (9 Marks)

Q6. Write short notes on any three of the following: (3 × 6 = 18 Marks)

(a) Winners' Curse

(b) Anchoring Bias

(c) Expected Utility Theory

(d) Cognitive Dissonance

(e) Diversification Biases