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

Sl. No.	**:**	**7533**
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 theoretical and empirical foundations of Behavioural Finance. Discuss Affect Theory and Prospect Theory. (9 Marks)

(b) Explain the concepts of Framing Effects and Heuristics in Behavioural Finance. How do these psychological factors influence the investment decisions of individuals and institutions?

(9 Marks)

Q2.

(a) What is the Disposition Effect? Explain the reasons behind the tendency of investors to hold losing investments too long and sell winning investments too early. Discuss its implications for financial markets.

(9 Marks)

(b) Discuss Familiarity Bias, Availability Bias, and Limited Attention in financial decision-making. (9 Marks)

Q3.

(a) Explain the concepts of Ambiguity Aversion and Self-Deception in Behavioural Finance. How do these behavioural biases influence investor confidence and decision-making under uncertainty? (9 Marks)

(b) Discuss Overreaction, Underreaction, and Hindsight Bias with suitable examples. (9 Marks)

Q4.

(a) Explain the Trade-off Model incorporating Manager–Shareholder conflicts and Bondholder–Shareholder conflicts. How do agency conflicts influence corporate financing decisions? (9 Marks)

(b) Discuss behavioural explanations for Dividend Policy Decisions and the Dividend Puzzle. (9 Marks)

Q5.

(a) Discuss the Rational and Behavioural explanations of Individual Investor Trading. Explain how behavioural biases influence trading behaviour and market participation of investors. (9 Marks)

(b) Discuss the impact of Cognitive Abilities and Culture on Financial Decisions and Investor Behaviour. (9 Marks)

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

(a) Endowment Effect

(b) Herd Behaviour

(c) Dividend Puzzle

(d) Modern Portfolio Theory

(e) Status Quo Bias

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