[This question paper contains 2 printed pages.]

Your Roll No...............

Sr. No. of Question Paper : 1380 **L**

Unique Paper Code : 2923100013

Name of the Paper : Behavioral Economics

Name of the Course : **BBE**

Semester : VI

Duration : 3 Hours Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Question **1** is compulsory, attempt any **4** questions from the remaining questions.

Q1. Write a short note on any 3 of the following: (6x3)

a. Representation theorem
b. Anchoring
c. Bundling
d. Allais Problem
e. SMarT Program

Q2. (9+9)

a. What is a rational preference relation? When is such a relation incomplete?
b. What is cheap talk in a prisoner's dilemma game? How does it affect the outcome of the game?

Q3. (9+9)

a. What is reciprocal altruism? Explain in the context of a trust game.
b. What is weal preference? Explain using an example.

Q4. (9+9)

a. If you have a convex to the origin value function, then how would you describe your preferences with regard to risk?
b. What is sunk-cost fallacy? Why is also called the 'Concorde fallacy'?

Q5. (3+3+6)

a. Consider the following value function:

i. What is the increase in value if you found $10.
ii. What is the decrease in value you would experience if you lost $10.
iii. How would you explain the above results.

b. What is endowment effect? Explain using a example.

Q6. (9+9)

a. What is 'status quo bias'? How does it relate to the coase theorem?
b. What is decoy effect? Explain using appropriate diagrams.