

[41003]
M.B.A. DEGREE EXAMINATIONS
FOURTH SEMESTER
SPECIALIZATION: FINANCIAL MANAGEMENT
Paper -III: BEHAVIORAL FINANCE
(W.E.F. 2016-17 Admitted Batch)

Time : 3 Hours

Maximum : 75 Marks

SECTION - A

I. Answer any FIVE questions not exceeding one page each. (5×4=20)

- 1) Concept of behavioural finance.
- 2) What is market efficiency?
- 3) What is Market Predictability?
- 4) What is corporate decision making?
- 5) Neurophysiology of risk.
- 6) What is Dividend Policy?
- 7) Anchoring
- 8) What is portfolio management?

SECTION - B

II. Answer All the questions not exceeding 4 pages each (5×8=40)

1. a) Explain the nature, scope and applications of behavioural finance. Also discuss the evolution of rational markets.

(OR)

- b) Distinguish between exponential discounting and hyperbolic discounting.
2. a) What is representativeness? And explain the biases related with representatives.

(OR)

- b) Explain the salient features of Expected Utility Theory.

3. a) Bring out the major arguments raised against the efficient market hypothesis.

(OR)

- b) What is Arbitrage? And explain the limitations of Arbitrage Model.

4. a) What is capital structure? And Explain the capital structure dependence on market timing.

(OR)

- b) Explain the external factors influencing on risk perception and attitudes.

5. a) What is personality? And explain the five primary personality traits.

(OR)

- b) Explain emotional mechanisms in modulating risk-taking attitude.

SECTION - C

III. Case Study (Compulsory)

(1×15=15)

The question is a matter of life and death: a new disease is sweeping across the country, and epidemiologists project it will claim the lives of 600 people. Scientists have proposed two alternative programs to address the outbreak, and you must decide which to implement.

- 1) If program A is adopted, 200 people will be saved.
- 2) If program B is adopted, there is a one -third probability that 600 people will be saved, but a two third probability that no one will be saved at all .

Questions:

- a) Which one do you select ? Why?
 - b) Explain in detail the prospect theory in line with the above situation.
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