Roll No											

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Even Semester End Term Examination, May / June 2026		
Date: 20/05/2026		**Time: 01.00 PM - 04.00 PM**
Course Code: MBA4074	**Course Name: Behavioural Finance**	
Semester: Fourth Semester	**Max. Marks: 100**	**Weightage: 50%**

CO - Levels	CO1	CO2	CO3
Marks	**44**	**44**	**52**

Part A: Answer Following Questions. 30 M

Qn.No	Questions	M	CO	BT
1	Discuss in brief how understanding Behavioral Finance can help a financial advisor improve client investment performance	3	CO1	BT2
2	Briefly outline the differences between traditional finance and behavioural finance	3	CO1	BT2
3	Illustrate the three forms of Efficient Market Hypothesis(EMH)	3	CO2	BT2
4	Distinguish briefly between fundamental analysis and technical analysis	3	CO2	BT2
5	How does recency bias affects stock market investors?	3	CO2	BT1
6	List out the stages in investment decision cycle. Which is the most important stage and why?	3	CO1	BT1
7	Explain how "Anchoring" affects a company's dividend payout decision	3	CO3	BT2
8	Define "Active Portfolio Management" and state its primary goal.	3	CO3	BT1
9	What is clientele effect in dividend policy?	3	CO3	BT1
10	What biases affect capital budgeting decisions?	3	CO3	BT1

Part B: Answer Any 1 Following Questions. 10 M

Qn.No	Questions	M	CO	BT
11	Following a sudden "tech boom," many retail investors are liquidating stable bonds to buy high-priced AI stocks. Apply the concept of herding to predict how this behavior might impact market volatility and lead to a potential bubble	10	CO1	BT3

12	An employee chooses to take a ₹10,000 bonus today instead of ₹12,000 in one year, yet they claim they would choose ₹12,000 in eleven years over ₹10,000 in ten years. Demonstrate the concept of hyperbolic discounting to explain this contradiction	10	CO1	BT3

Part C: Answer Any 1 Following Questions. 10 M				
Qn.No	**Questions**	**M**	**CO**	**BT**
13	An analyst claims they can consistently beat the market by analysing historical price charts (technical analysis). Apply the Semi-Strong Form of EMH to evaluate this claim	10	CO2	BT3
14	A new EV company with no profits "Volt Motors" goes public. Retail investors, hearing chatter on social media, rush to buy shares, driving the price 300% up in two days. Institutional investors stay away, recognizing the valuation is absurd compared to industry leaders. Using the concepts of noise trading and herding, explain why "Volt Motors" stock price is not converging to its fundamental value and how a rational institutional investor should behave in this scenario	10	CO2	BT3

Part D: Answer Any 1 Following Questions. 10 M				
Qn.No	**Questions**	**M**	**CO**	**BT**
15	Critically analyse why managers tend to adhere to a "sticky" (stable) dividend policy even when earnings fluctuate sharply, citing behavioural factors like fear of regret and signalling theory. If a company suddenly initiates a high dividend payout during a period of low industry growth, what inference would an investor make, and how would this decision impact the share price?	10	CO3	BT4
16	Compare and contrast traditional risk measures with behavioural measures of risk. Analyse why behavioural measures often predict investor choices better than traditional models.	10	CO3	BT4

Part E: Answer Any 1 Following Questions. 10 M				
Qn.No	**Questions**	**M**	**CO**	**BT**
17	Analyze the limitations of using a standard, static questionnaire to measure an investor's risk tolerance compared to using an experimental (behavioral) measurement approach.	10	CO3	BT4
18	“Capital structure is the cumulative outcome of past attempts to time the equity market." (i) Critically analyze this statement. Explain how managers define "market timing" in equity issuance and why they might choose to issue equity when their stock is overvalued (ii) Discuss the long-term impact of market timing on a firm's capital structure, contrasting it with the predictions of the Pecking Order	10	CO3	BT4

	Theory			

Part F: Answer Following Questions. 30 M				
Qn.No	**Questions**	**M**	**CO**	**BT**
19	November, 2016, s a date in the world history and is remembered for two reasons. Firstly, it is the second day after demonetization in India and secondly, the declaration of the result of the USA Presidential elections. On this day, the market in the USA has taken a big dip. The reason was beyond any rational explanation. The market was expecting that Ms. Hilary Clinton would win the elections, but it happened otherwise and Mr Donald Trump won the USA Presidential elections and due to this the market overreacted and crashed. Rationally, the USA market should have welcomed this move as Mr Trump was talking about employment generation for the USA citizens. His election manifesto was fully focused on the development of the USA, but since in all media reports and opinion polls, Ms.Hilary Clinton was projected as a winner so the market adjusted itself for the arrival of Ms.Clinton. But when Mr Trump won the election, it was against the prediction of the market and it over-reacted to this news and on this day, the market saw a big crash and it again came down to the normal point after sometime. Questions: 1."Does the sharp dip and subsequent recovery of the market on the same day support or contradict the Efficient Market Hypothesis? Explain." 2..Which specific behavioural biases do you think played the most significant role in this event? Explain	15	CO2	BT3
20	Manoj Gupta and his wife Seema Gupta, aged 36 and 34, are working in private sector. They ae having two children aged 2 and 5. They do not invest in equity markets at all. Thet think equity markets are speculative dens. They saw their neighbors invest in equities in 2011 and earn handsome returns till 2018. They regret their decision. Their total income is Rs 20 lakhs. They have saved 15 lakhs which they think they will use for their children education. They have saved 12 lakhs for their daughter’s marriage and do not want to touch that amount and invest in any other investment apart from fixed deposits. They have not saved anything for their retirement. They went to a financial planner, who administered them a questionnaire and analyzed their risk aptitude. Suppose you are the financial advisor to the couple. Questions: (i)Identify what are the behavioural biases the couple is suffering from and explain (ii)How would you re-align the Guptas' perception of equity markets from "speculative dens" to long-term wealth creators, given their regret over missing the 2011–2018 rally? (iii) What do you suggest them to come out from this behaviour?	15	CO1	BT3