

Date : 11-05-2026

Pattern : 2024

Duration : 150 min

Max Marks : 50

Instructions for students :

- Marks are indicated for each question.
 - Handwriting should be eligible for evaluation.
 - Marks will be given for quality, not quantity.
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Q.1] Attempt any 5 Questions – 2 Marks Each)

(10 Marks)

1. Define Cognitive Dissonance
2. Define Anomalies.
3. What is Bounded Rationality
4. What do you mean by Loss Aversion
5. Anchoring bias suggests that when individuals estimate value, they rely excessively on:
 - a. The most recent news
 - b. The first piece of information received
 - c. The average of all available data
 - d. Their own intuition
6. Richard Thaler's concept of mental accounting directly challenges which classical economic principle?
 - a. Fungibility (the assumption that all money is identical and interchangeable)
 - b. Market efficiency.
 - c. The risk return trade-off
 - d. Transitivity of preferences
7. What is the significance of behavioral study in finance?

Q.2] Short Answer. (Attempt any Two – 5 Marks Each)

(10 Marks)

1. Differentiate between risk aversion and loss aversion?
2. Distinguish between framing Bias and Mental Accounting.
3. Explain the concept of "anchoring" in the context of behavioral finance. Provide an example.
4. Do you think Market Bubble has an impact on global economy?

Q.3] Long Answer (Attempt any One – 10 Marks)

(10 Marks)

1. Mr. Pankaj is selecting the stocks for investment of Ten Lakh Rupees. Suggest him some ways to avoid the biases in his decision making.
2. What do you mean by Heuristic? Explain various heuristics that affect the financial decision making in detail.
3. Describe how the "herding behavior" of investor can contribute to market bubbles and crashes. Provide real-world examples.

Q.4] Long Answer (Attempt any One – 10 Marks) (10 Marks)

1. Sarah is a 35-year-old professional with a stable job and strong desire to build wealth for her retirement. She started investing in stock market five years ago with the goal of achieving long-term financial security. Sarah's portfolio consists of stocks, bonds, and mutual funds.
 - a. Evaluate her behavior in context of Overconfidence Bias, anchoring and adjustment, loss aversion bias?
 - b. How does behavior impact finance decision?
2. Why is study of Behavioral finance needed? Explain the difference between Traditional Finance and Behavioral Finance?
3. What is the best practical allocation for each investor? How does behavior impact finance?

Q.5] Long Answer. (Attempt any One – 10 Marks) (10 Marks)

1. How does behavioral finance explain bubbles? Explain in details various causes of bubbles.
2. EMH (Efficient Market Hypothesis) states that investors are rational. Behavioral finance states they are not. Justify the statement.
3. Behavioral finance posits that investor possess behavioral biases "Discuss the importance of behavioral biases then list and explain the four behavioral biases.