



JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

PGDM / PGDM (M) / PGDM (SM)

SIXTH TRIMESTER (Batch 2020-22)

ENDTERM EXAMINATION, April 2022

SET 1

Course Name	Behavioural Finance	Course Code	FIN 601
Max. Time	2 hours	Max. Marks	40 MM

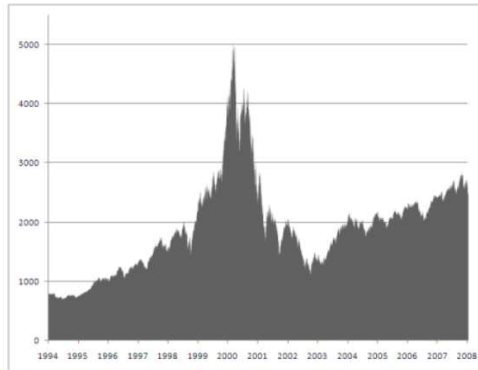
INSTRUCTIONS:

- 1. This is an open book exam and answers to the questions will be plagiarism checked on assignment basis in Moodle with limit of 10%. Every additional 10% shall attract penalty of 5 marks**
- 2. Please submit the answers in MS word.**
- 3. Answer should be precise and to the point.**
- 4. All questions are compulsory**

Q1. So, there's Peter and John. Both have retirement plans into which they pay each month. Both are in their early thirties and want to retire around age of sixty-five. They neither expects to withdraw any money before retiring from his pension fund. Peter monitors his retirement savings periodically regardless of price change. The Weekly, equity markets of his country go up and down almost as regularly. John, from the other side look into his saving about five years or more. Five-year returns on equity are only 10% down. John has invested in stocks. **Explain which Prospect Theory's single aspect best explains the two men's differing portfolio allocations?** {CLO3; BT level IV} (5 MARKS)

Q2. **Explain the impact of mind and emotions on the 2000 Dotcom bubble. Identify three specific biases and explain their impact on developing market anomalies.**

{CLO3; BT level IV} (10 MARKS)



The technology-heavy [NASDAQ Composite](#) index peaked at 5,048 in March 2000, reflecting the high point of the dot-com bubble.

Q3. In the below chart, explain investors sentiments and identify three biases that lead to following changes in Adani Enterprises ltd. share prices. {CLO4; BT level IV}

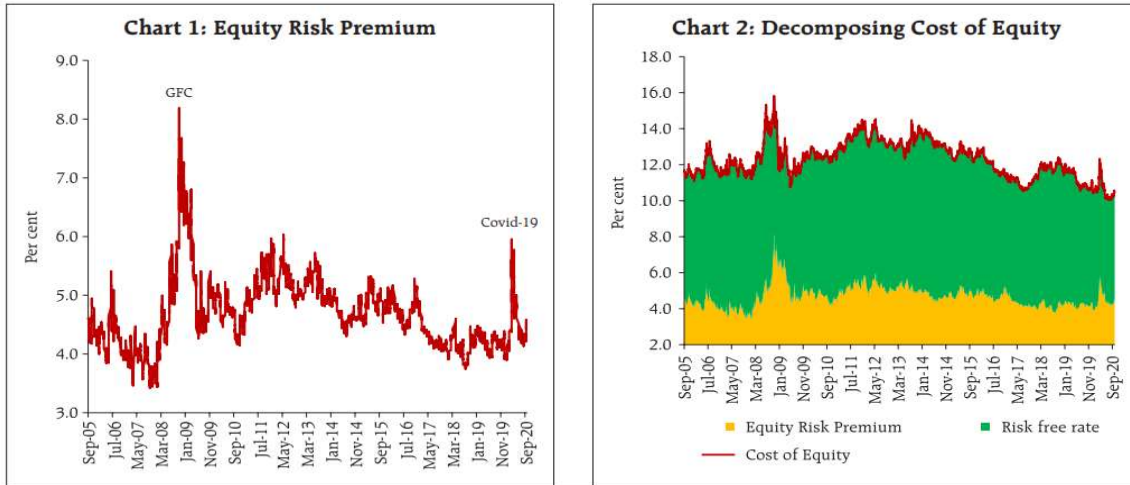
(5 MARKS)



Q4. In a recent study, it was found that consumers who valued designations, as well as those with higher incomes and investable assets, paid fund advisers more than those who did not. That being said, becoming a more educated and effective wealth manager is the best way to better serve your clientele and grow in your profession. **Explain these irrational traits using bounded rationality concept. Analyze which single aspect of bounded rationality best explains the consumers reactions towards fund managers.**

{CLO3; BT level IV} (5 MARKS)

Q5. In reference to the below mentioned charts, **Explain the excessively high historical outperformance of equity in few specific periods and identify three main biases that explains high equity risk premium and high cost of equity in those periods.** {CLO4; BT level IV} (10 MARKS)



Q6. A particular bias can occur in the markets when analysing crucial indicators. Recognizing this error does not prevent individuals from making it. People are prone to repeating basic calculating errors despite understanding the inaccuracy. Unfortunately, experts making high-stakes decisions commit the same error. Almost all economists, analysts, and statisticians failed to spot such possibilities, indicating how difficult it is to prevent this error. **Identify this belief preservation bias and describe the main source of this bias with example.**

{CLO1; BT level I} (5 MARKS)