



JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

PGDM / PGDM (M) / PGDM (SM)

SIXTH TRIMESTER (Batch 2021-23)

ENDTERM EXAMINATION, April 2023

SET 1

Course Name	Behavioural Finance	Course Code	20242
Max. Time	2 hours	Max. Marks	40 MM

INSTRUCTIONS:

1. Answer should be precise and to the point.
2. All questions are compulsory

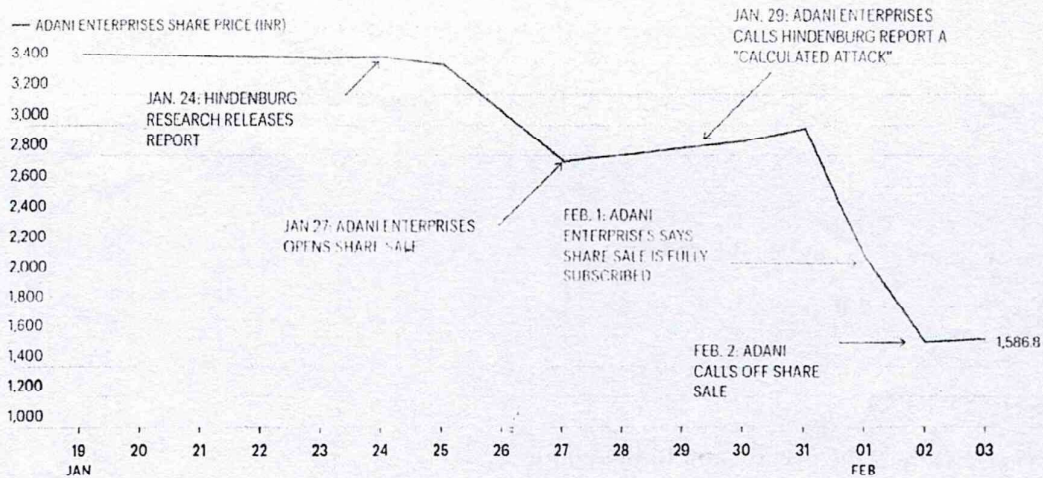
Q1. John is given the option to choose between these two gambles. **Determine the three biases that he would perceive if he chose Gamble A. {CLO3; BT level V} (5 MARKS)**

<i>Gamble A</i>	<i>Gamble B</i>
11/36 chance of winning \$80 25/36 chance of losing \$7.50	35/36 chance of winning \$20 1/36 chance of losing \$5

Q2. Cut your losses and let your profits run! Many investors seem to have difficulty following this advice. Instead, they tend to quickly sell stocks that have appreciated in price since purchase and hold on to losing stocks. Some investors are more susceptible to taking excessive risk in the realm of losses. It imposes substantial costs on investors. **Explain the type of behaviour and examine three biases causing it. {CLO3; BT level II, IV} (10 MARKS)**

Q3. According to one estimate, the equity premium for U.S. stocks over short-term government bonds averaged more than 6 percent per annum from 1926 to 1992. Moreover, in the United States from 1871 to 1993, returns to stocks easily dominate returns to bonds or Treasury bills (Barberis and Thaler, 2003). **Identify and explain the irrationalities using prospect theory concept. {CLO2; BT level II, III} (10 MARKS)**

Q4. In the below chart, analyze investors sentiments and identify three biases that lead to following changes in Adani enterprise share prices. {CLO3; BT level IV} (10 MARKS)



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Q5. 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.

{CLO2; BT level II, IV} (5 MARKS)