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V – 5536

Reg. No. : ....

Name : ....

Fourth Semester M.A. Degree Examination, June 2025

Behavioural Economics and Data Science

BEDS 541 : BASICS OF BEHAVIOURAL FINANCE

(2020 Admission Onwards)

Time : 3 Hours

Max. Marks : 75

PART – I

Answer **all** questions. **Each** question carries **1** mark.

1. Investors disposition effect
2. Bounded rationality
3. Corporate finance
4. Expected utility
5. Noise trader risk
6. Geomagnetic storm
7. Non-traditional preferences
8. Financial market
9. Evolutionary economics
10. Mental accounting

(10 × 1 = 10 Marks)

P.T.O.

PART – II

Answer **any seven** questions. **Each** question carries **5** marks.

11. Define Prospect Theory and explain how it addresses investor behaviour differently than traditional economic theories.

12. Discuss the different ways in which rationality can be defined in economics and evolutionary perspectives.

13. What is cognitive psychology, and how does it relate to behavioural finance?

14. Explain the concept of long-short trades in the context of arbitrage.

15. Define the term 'average investor' and describe their typical characteristics.

16. Discuss the psychology of investor behaviour How does it impact decision-making in financial markets?

17. Write a short note on Elsberg's paradox.

18. How do emotions, such as fear and greed, contribute to the occurrence of market bubbles and crashes? Provide an example from recent financial history.

19. Describe the neurophysiology of risk-taking.

20. Discuss the influence of personality traits on risk attitudes in different domains.

($7 \times 5 = 35$ Marks)

PART – III

Answer **any three** questions. **Each** question carries **10** marks.

21. Describe Herbert Simon's concept of bounded rationality. How does it differ from the traditional view of rational decision-making?

22. Explain the systematic approach of using behavioural factors in corporate decision-making.

23. Discuss the relationship between geomagnetic storms and financial markets. How can these external factors affect investor sentiment and market volatility?

24. Outline the main objectives and significance of Behavioural Finance.

25. Discuss the evolution of theories based on the expected utility concept. How have these theories changed over time to incorporate behavioural finance insights?

(3 × 10 = 30 Marks)
