

Trimester: Sep 24 - Jan 2025			
Maximum Marks: 50	Examination: End Sem Exam	Date: 16/Jan/2025	Duration: 03 hrs
Programme code: 01		Class: SY	Trimester: V
Programme: MBA			Batch 1 (2024-25)
College: K. J. Somaiya Institute of Management		Name of the department/Section/Center: Economics	
	Course Code:	217P01M533	Name of the Course: Behavioral Economics
Instructions: Attempt <u>any five</u> of the following questions.			

Question No.		Max. Marks
1 a.	How is Behavioral economics different from the neo-classical or standard economic model?	5 Marks
1b.	How has India incorporated behavioral economics into its policies and initiatives to address societal challenges	5 Marks
2 a	What is sunk cost fallacy and how can it be prevented	5 Marks
2b	How has the Prospect theory overcome the shortcomings of the expected utility theory?	5 Marks
3.	Explain the following scenarios using behavioral principles	10 Marks
a.		
b.	Investors tend to sell winning stocks too early and hold onto losing stocks for too long.	
c.	people prefer flat monthly fees for services like gyms or cell phones, even if it may not be cost-effective	
	people's willingness to buy lottery tickets despite the low probability of winning	
4.	Which of the following biases (Anchoring bias, overconfidence bias, representativeness bias, Confirmation bias, loss aversion bias, availability bias, framing bias, herding behavior) underline the following scenarios . Suggest <u>any two measures</u> to mitigate them.	10 Marks
	1. An investor refuses to sell a stock that has dropped 30% in value, stating, "I'll hold onto it until it gets back to my purchase price."	

	<p>2. A mutual fund advertises itself as "90% safe," and an investor selects it over another fund described as having a "10% risk."</p> <p>3. An investor holds onto a stock despite negative news about the company, believing their original research will eventually be proven correct.</p> <p>4. After seeing a friend's investment in cryptocurrency yield high returns, an investor decides to invest heavily in the same asset class without further research.</p> <p>5. After making a successful stock pick, an investor feels overly confident in their ability to predict market trends and begins trading more frequently.</p>	
<p>5.a</p> <p>b.</p>	<p>How does behavioral game theory bridge the gap between classical predictions and real-world behavior?</p> <p>How does the dictator game reveal insights into altruism and fairness?</p>	<p>5 Marks</p> <p>5 Marks</p>
<p>6a.</p> <p>b.</p>	<p>What is the fundamental concept of choice architecture, and why is it considered pivotal in decision-making?</p> <p>b. How should policymakers address the criticisms and challenges of implementing choice architecture in diverse populations?</p>	<p>5 Marks</p> <p>5 Marks</p>
<p>7.</p> <p>a.</p> <p>b.</p> <p>c.</p>	<p>Write short notes on any two of the following</p> <p>Practical applications of loss aversion in marketing</p> <p>ii) Pros and cons of Mental Accounting</p> <p>iii) Role of reciprocity in sustaining cooperation</p>	<p>10 Marks</p>