



BBA

Semester V

Calicut University

Behavioral Finance

Course Code: BBA5CJ302 • Module SYLLABUS Notes

Course Syllabus

Course Code: BBA5CJ302 | **Course Title:** Behavioral Finance | **Semester:** V

Module I: Introduction to Behavioral Finance

- Unit 1: Nature, Scope, and Foundations of Behavioral Finance vs Traditional Finance.
- Unit 2: Standard Finance Assumptions – Rationality, Expected Utility Theory, EMH.
- Unit 3: Prospect Theory (Kahneman & Tversky) – Loss Aversion, Value Function.
- Unit 4: Mental Accounting, Framing Effects, Disposition Effect.

Module II: Cognitive Biases & Limits to Arbitrage

- Unit 5: Heuristics & Biases – Overconfidence, Representativeness, Availability, Anchoring.
- Unit 6: Emotional Biases – Regret Aversion, Endowment Effect, Status Quo Bias.
- Unit 7: Limits to Arbitrage – Fundamental Risk, Noise Trader Risk, Implementation Costs.
- Unit 8: De Long, Shleifer, Summers, and Waldmann (DSSW) Noise Trader Model.

Module III: Market Anomalies & Investor Sentiment

- Unit 9: Ambiguity Aversion & Ellsberg Paradox in Financial Decision Making.
- Unit 10: Bounded Rationality (Herbert Simon) and Satisficing Behavior.
- Unit 11: Investor Sentiment Metrics, Market Bubbles, and Herd Behavior.

- Unit 12: Market Anomalies – Calendar Anomalies (January Effect), Momentum, Value Anomaly.

Module IV: Behavioral Corporate Finance & Neurofinance

- Unit 13: Managerial Biases in Corporate Capital Budgeting and M&A Decisions.
- Unit 14: Volatility Index (VIX), Fear & Greed Index, Investor Sentiment Measurement.
- Unit 15: Seasonal Affective Disorder (SAD) & Exogenous Factors on Asset Prices.
- Unit 16: Behavioral Nudges in Wealth Management & Neurofinance Overview.

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