Question #1 of 16

Question ID: 1574608

Rex Newman treats wages differently from bonuses when determining his savings and investment goals. As a result, he invests any available after-tax wages in low-risk investments while investing his bonuses in high-risk alternatives. Newman is *most likely* exhibiting:

A) availability bias.

B) mental accounting bias.

C) framing bias.

Question #2 of 16

Question ID: 1574600

Which of the following *most accurately* describes cognitive errors?

A) They stem from feelings, impulses, or intuition.

B) They are due primarily to faulty reasoning.

C) They are not related to conscious thought.

Question #3 of 16

Question ID: 1574601

Emotional biases are *most likely* to:

A) be mitigated rather than accommodated.

B) stem from feelings or intuition.

C) be related to faulty reasoning.

Question #4 of 16

Question ID: 1574606

Which of the following behavioral biases is *most likely* related to information processing?

A) Loss aversion.

B) Status quo.

C) Anchoring and adjustment.

Question #5 of 16

Question ID: 1574613

Evidence that investors hold portfolios that are less diversified than traditional finance would suggest may be *best* explained by:

A) fear of regret.

B) anchoring.

C) overconfidence.

Question #6 of 16

Question ID: 1574603

Which of the following cognitive errors are *best* described as belief persistence biases?

A) Conservatism, representativeness, and hindsight biases.

B) Mental accounting, framing, and availability biases.

C) Illusion of control, confirmation, and anchoring and adjustment biases.

Question #7 of 16

Question ID: 1574609

Greg Brown receives new information regarding one of his stocks. This information appears to be reliable and conflicts with Brown's earlier forecast of what the stock should be trading for at this time. However, Brown does not revise his estimate of the stock's value. Brown is *most likely* exhibiting:

A) conservatism bias.

B) confirmation bias.

C) hindsight bias.

Question #8 of 16

Question ID: 1574602

Compared to emotional biases, cognitive errors are *more likely* to be:

A) difficult to overcome.

B) mitigated by information.

C) related to intuition or impulses.

Question #9 of 16

Question ID: 1574610

Sarah Kowalski bought a growth stock for $45 per share that subsequently fell by 35%, and she is reluctant to sell as she hopes the stock bounces back. Kowalski is *most likely* exhibiting:

A) availability bias.

B) self-control bias.

C) loss-aversion bias.

Question #10 of 16

Question ID: 1574599

Which of the following statements would *most likely* be classified as a cognitive error? The investor:

A) has a tendency to place information into categories.

B) tends to take more risk rather than sell a stock at a loss.

C) acts defensively when asked why he made a poor investment decision.

Question #11 of 16

Question ID: 1574607

Which of the following statements *best* describes the availability bias? An investor:

A) associates new information with an easily recalled past event.

B) only notices information that agrees with their perceptions or beliefs.

C) bases a decision on how the information is presented.

Question #12 of 16

Question ID: 1574611

Harvey Woodman invests in modern art. Occasionally, he sells a piece from his collection, but the process is often difficult because he gets insulted when potential buyers offer what he believes to be too little. Which bias is Woodman *most likely* exhibiting?

A) Mental accounting bias.

B) Overconfidence bias.

C) Endowment bias.

Question #13 of 16

Question ID: 1574605

Which of the following are considered emotional biases?

A) Confirmation, control, and availability biases.

B) Status quo and endowment biases.

C) Anchoring and adjustment bias.

Question #14 of 16

Question ID: 1574612

Steven Murphy has a tendency of overreacting to current events and trading too much based on news or anecdotes. Which of the following biases does Murphy *most likely* exhibit?

A) Loss-aversion bias.

B) Availability bias.

C) Overconfidence bias.

Question #15 of 16

Question ID: 1574604

Which of the following are considered biases due to cognitive errors?

A) Loss aversion, self-control, and regret-aversion biases.

B) Representativeness, mental accounting, and overconfidence biases.

C) Conservatism, hindsight, and framing biases.

Question #16 of 16

Question ID: 1574614

With respect to asset "bubbles":

A) behavioral finance provides an overall explanation.

B) anchoring may cause investors to mitigate bubbles by reducing their market exposure.

C) hindsight bias can fuel overconfidence.