

CHUKA



UNIVERSITY

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**THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE
OF BACHELOR OF COMMERCE**

BCOM 341: RISK MANAGEMENT**STREAMS: BCOM (Y3S1) ODEL****TIME: 2 HOURS****DAY/DATE: WEDNESDAY 15/04/2020****2.30 P.M. – 4.30 P.M.****INSTRUCTIONS:**

- Answer question ONE and any other TWO questions
- Do not write on the question paper

QUESTION ONE

- (a) ABC manufacturing limited has sought your advice as a consultant in risk management. The company has been experiencing various loss exposures, however the company has recently installed an accident prevention program. The following loss data was obtained from the company. Calculate the risk assessment factor for each risk [10 marks]

	Consequence	Incidents	Exposure	Probability
i.	Death	5	Once a year	10%
ii.	Multiple injury or illness	10	Every month	25%
iii.	Very serious injury of illness (permanent disability)	15	Every week	50%
iv.	Serious injury or illness (lung damage, broken bone, amputation)	20	Everyday	75%
v.	Other injuries (cuts, sprains, headaches)	30	Every hour of the day	100%

- (b) Which risk would you consider to be most prevalent [1 mark]
- (c) Explain three programmes a bank would use to mitigate liquidity risk [3 marks]

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- (d) Compare and contrast risk retention and risk transfer [4 marks]
- (e) A bank your work for wants to play it safe after a bad financial year. You have been assigned the role of identifying the risks the company is exposed with a view of economically managing them. Explain in details the techniques you will use to identify risks. [8 marks]
- (f) Discuss four pre loss objectives that you would set for a service organization [4 marks]

QUESTION TWO

- (a) As a risk management consultant you have been tasked to implement an enterprise risk management programme. Explain to the board of directors the need for continuous review of risk management programmes. [8 marks]
- (b) Clearly explain the contribution of risk management to organization success [12 marks]

QUESTION THREE

- (a) Explain factors that a risk manager should consider in deciding which risk management technique is appropriate [8 marks]
- (b) A risk manager perceives the following risks exist in an organization loss of cash, accidents, strikes and chemical hazards. Prepare a risk management report for the organization. [5 marks]
- (c) XYZ overall enterprise risk management costs are given below (in kshs)

Risk management programmes	Cost to fix or remove	Amount of fix or removal
Theft risk programme	30,000	100%
Employee safety programme	70,000	40%

- Calculate the cost justification factor each risk management programme and advice XYZ appropriately [5 marks]
- (d) Using an appropriate example differentiate between objective and subject risk [2 marks]

QUESTION FOUR

- (a) Use a risk management matrix to explain how severity and frequency are the guiding principles for any risk management decision [8 marks]
- (b) Explain risk transfer under the following headings

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- (i) Alternative risk transfer techniques [4 marks]
 - (ii) Limitations of insurance risk transfer mechanism [4 marks]
 - (c) Explain the features of risk identification techniques [4 marks]
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