

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE AND BACHELOR OF ENTREPRENEURSHIP AND ENTERPRISE MANAGEMENT

BCOM 341: RISK MANAGEMENT

STREAM: BCOM/BEEM (Y3S1) REGULAR & ODELS

TIME: 2 HOURS

DAY/DATE: TUESDAY 11/04/2023

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) You have just started a business, and you supply food materials to Chinese restaurants. Currently you have approximately 20 restaurants to supply and have employees as follows:

- 1 Delivery driver
- 1 Administrator
- 1 Warehouse manager
- 2 Warehouse assistants

Your business has generated good revenues by supplying food materials to 20 Chinese restaurants; however, as you have operated this business for only 3 months, you want to identify risks in your business operations. Currently your business is operating as follows:

- All food materials are delivered in normal delivery vans and you do not have any refrigerated delivery vans
- All ordering, invoicing and receipts are manually issued on the designed forms
- At least one of the warehouse assistants come with the delivery driver, and sometimes the assistant drives the van.
- Due to the nature of small restaurants, sometimes they give cash payments for supplies to the delivery driver.

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- The administrator does all administrative work, including accounting HR, etc.
- The current terms for accounts receivable and payable are both for weeks
- Your business receives goods from only one distributor in Uganda.
- Currently, the deliveries are scheduled for 7 days a week

Use the above case in answering the following questions

- (i) You have called a brainstorming meeting to identify existing and potential risks. Which stakeholders must be involved in this meeting? [4 marks]
 - (ii) From the case, identify the risks the business may encounter [3 marks]
 - (iii) Use qualitative terms to explain the impact/consequence(s) of the risks identified in (ii) above, justifying your answer [3 marks]
- (b) Assume you have been appointed as a risk manager of a food packaging company located in Nairobi city and one of your responsibilities is to create a risk culture in your organization. Evaluate any five (5) methods you will use to identify risks. [10 marks]
- (c) Explain any two (2) major risk exposures prevalent in financial institutions like banks and SACCOs, clearly showing on how they can be managed. [10 marks]

QUESTION TWO

- (a) Frequency and severity are the guiding principles in decision making in risk management. Discuss [10 marks]
- (b) Explain the role of the following persons in risk management
- (i) Board of directors [5 marks]
 - (ii) Auditors [5 marks]

QUESTION THREE

- (a) Risk management is a process. Discuss [12 marks]
- (b) With the knowledge gained from risk management, clearly evaluate the persons responsible for monitoring and review of the risk management programmes. [8 marks]

QUESTION FOUR

- (a) ABC company ltd is a manufacturing company that wants to implement a risk management programme. As one who has done a course in risk management, explain to management the possible risk management objectives. [10 marks]
- (b) Is risk management of any value to organizations? [10 marks]
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