

CHUKA



UNIVERSITY

## UNIVERSITY EXAMINATIONS

## CHUKA/EMBU/CHOGORIA

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE AND  
BACHELOR OF COOPERATIVE MANAGEMENT

BCOM 341: RISK MANAGEMENT

STREAMS: BCOM/BCOP Y3S1

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 18/12/2024

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) Methods of Risk measurement and analysis**

*Risk measurement and assessment are the basis for building plans in the face of danger. The aim of this process is to identify and control risk to reduce its impact on the organisation. Measurement and risk assessment are of great importance to organizations as well as to investors and entrepreneurs who will guide decision making in determining the types and volumes of investment and short-term and long-term goals. Risk measurement also contributes to providing warning signs. Risk measurement and assessment build on linking between historical data and forecasting tools to formulate possible scenarios that might pose a threat to the organisation. There are several qualitative and quantitative tools for measuring and assessing risk.*

- In the context of the above passage, explain what you understand by the term risk measurement and assessment and discuss fully the two forms in which the consequences of risk can be expressed. **(6 Marks)**
- In context of the above extract, explain the approaches of risk measurement. **(8 Marks)**

**(b) Models of Risk Management in Organizations**

*Enterprise Risk Management- ERM (Business risk management, holistic risk management) covers all the risks which can occur in organizations. ERM ensures responding to identified risks and preventing their consequences which may prove very unfavourable from the point of view of current and future operations of a given entity. This kind of risk management is an element of corporate governance and, coupled with internal controlling and audit, guarantees that the organisation's management or board's attention is focused on the most serious risk and protection of the fundamental interests of the entity's shareholders.*

- i) In light of the above extract, explain what you understand by the term ERM in your own words and discuss the benefits of enterprise risk management in an organisation of your choice. **( 10 Marks)**
- ii) Explain the role of the board in risk management. **(6 Marks)**

**QUESTION TWO**

- (a) Assume you have been employed as a risk manager with Company ABC Ltd and your first assignment is to create risk awareness in your new organization. Assume further that your immediate area of concern is risk identification. Explain at least five methods of risk identification you may want your members of staff to understand. **(10 Marks)**
- (b) Discuss the new developments in risk management. **(10 Marks)**

**QUESTION THREE**

- (a) The concept of risk management can be traced back to the ancient times, where various communities had their own ways of managing risks. Clearly explain the landmarks made in the development of risk management to where Kenya is as a country. **(12 Marks)**
- (b) Risk management is a process. Discuss **(8 Marks)**

**QUESTION FOUR**

- (a) More often than not, frequency and severity are used as the guiding principles in making decisions on risk treatment. Discuss **(12 Marks)**
- (b) Assume you have been appointed as a chief risk officer of a food packaging company located in Nairobi city's industrial area and one of your responsibilities is to create a risk culture in your organisation. Demonstrate how you would communicate risk initiatives to various stakeholders of your organization **(8 Marks)**
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