KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

BMS 202: RISK MANAGEMENT

DATE: Monday, 20th November 2017 TIME: 11.00a.m-1.00p.m

INSTRUCTIONS:

Answer question ONE and any other TWO questions

QUESTION ONE

a) Alex graduated from Kenyatta University five years ago. He has secured employment with a cooking oil manufacturing Company in Nairobi. He is appointed as a risk manager to head the company's risk management Department. The Company has been experiencing huge losses in the recent past due to occurrence of unforeseen risks.

  i. Discuss five systematic approaches to risk identification which he can use to ensure that all the possible risks facing the Company are identified. (10 marks)

  ii. Explain any four major risks that the oil company is exposed to, and the possible control measures that need to be put in place to counter these risks. (4 marks)

  iii. Outline four risk management activities that the department would be expected to undertake in general. (6 marks)

b) Explain five techniques for managing risks (5 marks)

c) Explain the importance of the inclusion of a risk policy in any company today. (5 marks)

QUESTION TWO

a) Distinguish between the following

   i. Risk appetite versus risk attitude

   ii. Objective versus subjective risk (4 marks)

b) Discuss five factors that have contributed to the rapid growth in risk management in organizations in the world today. (10 marks)

c) Presence of risks results in burdens to the society. Discuss. (6 marks)

QUESTION THREE

a) Businesses are exposed to many risks. Explain the main classifications of risk, clearly highlighting those risks which are not insurable commercially. (10 marks)

b) Describe the major steps of risk management process in an organization. (10 marks)

QUESTION FOUR

a) i) What is captive insurance? (2 marks)

   ii) Explain five reasons for the formation of captive insurance (5 marks)

b) Discuss in detail the purpose and the fitness of Hazard and Operability Studies (HAZOP) in risk management practice. (5 marks)

c) Clearly explain four methods that may be employed by organizations intending to finance their losses through retention. (8 marks)