**GARISSA UNIVERSITY**

UNIVERSITY EXAMINATION 2020/2021 ACADEMIC YEAR **THREE SECOND** SEMESTER EXAMINATION

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

**COURSE CODE: BBM 320**

**COURSE TITLE: RISK MANAGEMENT**

**EXAMINATION DURATION: 2HOURS**

**DATE: TIME:**

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**INSTRUCTION TO CANDIDATES**

* The examination has **FIVE (5**) questions
* Question **ONE (1)** is **COMPULSORY**
* Choose any other **TWO (2**) questions from the remaining **FOUR (4)** questions
* Use sketch diagrams to illustrate your answers where necessary
* Do not carry mobile phones or any other written materials in the examination room
* Do not write on this paper

**This paper consists of FOUR (4) printed pages *Please turn over***

**QUESTION ONE [30MARKS]**

CASE STUDY

DCMS: Capacity to handle risk

Within the core department, risk is managed actively and risk management is embedded into all departmental processes. The department’s risk framework identifies risk management as a key role of the board, the executive board and its sub-committees. Policy and guidance are available to staff on the intranet, and risk management master classes have been provided. The corporate committee has overall responsibility for the risk management framework.

The risk management framework consists of three management levels at which risks are managed:

● at the local level, risk is managed and risk registers maintained by policy and operational teams and by project and programme teams across the department.

● at the committee level, risk is managed by the corporate committee. The committee maintains its own risk register and manages red-rated operational risks within the corporate area.

● Risks escalated by the corporate committee, investment committee, governance board and department-wide operational, delivery and strategic risks are managed by the executive board.

An internal audit review of the department’s risk management systems found that they provided reasonable assurance. It concluded that the department understood and was managing key business risks for business as usual and programme activities. However, differing approaches to risk management methodology showed there is not universal compliance with the agreed risk management framework or single-risk severity scoring method, and that it needed to develop a more structured and consistent approach to monitoring and comparing risks in these areas.

You are required to answer the following questions from the case study:

1. Describe the key features of a corporate governance model and describe the links to risk management in DCMS. **[8Marks]**
2. Outline the importance of evaluating the performance of the board and board committees and how this relates to corporate governance . **[8Marks]**
3. Describe the key sources of operational risk in DCMS and provide examples of how these risks are managed. **[6Marks]**
4. Produce examples of the risks associated with non-compliance with risk management framework as stipulated in the DCMS Policy and guidance which have been availed to staff on the intranet, and risk management master classes provided and how these risks can be successfully managed. **[8Marks]**

QUESTION TWO **[20MARKS]**

1. Explain social and economic burden of risk to the society **[5Marks]**
2. With the help of examples differentiate between pure and speculative risks **[10Marks]**
3. Outline the role of government in risk management **[5Marks]**

QUESTION THREE **[20MARKS]**

Write short notes on the following types of risks:

1. Compliance (or mandatory) risks; **[2Marks]**
2. Hazard (or pure) risks; **[2Marks]**
3. Control (or uncertainty) risks; **[2Marks]**
4. Opportunity (or speculative) risks. **[2Marks]**
5. With the help of illustrations, explain;
6. Physical hazard,
7. Moral hazard,
8. Morale hazard and
9. Legal hazard **[10Marks]**
10. Explain the meaning of principles of risk management and insurance **[2Marks]**

QUESTION FOUR **[20MARKS]**

1. How does fundamental risk differ from particular risk? **[5Marks]**
2. What are risk maps?  **[5Marks]**
3. Explain various information-gathering techniques **[10Marks]**

QUESTION FIVE **[20MARKS]**

1. Explain the steps in the Risk Management Process **[10Marks]**
2. Explain the objectives of risk management both before and after a loss occurs  **[5Marks]**
3. Explain any **Five** functions of a risk manager **[10Marks]**
4. What factors are considered in selecting a method for risk identification?  **[5Marks]**