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**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: 2 HOURS**

**DATE: 08/04/2021 TIME: 12.00-2.00 PM**

**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 answer whenever necessary**
* **Do not carry mobile phones or any other written materials in examination room**
* **Do not write on this paper**

**This paper consists of THREE (3) printed pages *please turn over***

**QUESTION ONE (COMPULSORY)**

**CASE STUDY**

**UNITED UTILITIES: OUR RISK MANAGEMENT FRAMEWORK**

We have developed a sophisticated approach to the assessment, management and reporting of risks, with a process aligned to ISO 31000:2009 and a well-established governance structure for the group board to review the nature and extent of the risks that the group faces and for the audit committee to review process effectiveness.

 Our risk profile currently illustrates around 200 event-based risks. All event types (strategic, financial, operational, compliance and hazard) are considered in the context of our strategic themes (best service to customers; lowest sustainable cost; and responsible manner). For internal or external drivers, each event is assessed for the likelihood of occurrence and the negative financial or reputational impact on the company and its objectives, should the event occur.

Responsibility for the assessment and management of the risk (including monitoring and updating) is assigned to the appropriate individual manager who is also responsible for reporting on assessment, management and control/mitigation at least twice a year, in line with the reporting to the group board at full- and half-year statutory accounting reporting periods.

By their nature, event-based risks in the context of our strategic themes will include all combinations of high to low likelihood and high to low impact. Heat maps are typically used in various managerial and group reports either as a method to collectively evaluate the extent of all risks within a certain profile or to illustrate the effectiveness of mitigation for a single risk by plotting the gross, current (net of existing controls) and the selected target position in an individual risk statement.

**Required:**

From the above case study, answer the following questions:

1. Describe the key stages in the risk management process and the main components of a risk management framework **[10Marks]**
2. Describe the scope and importance of establishing the context as the first stage in the risk management process **[5Marks]**
3. Explain the importance of the relationship between the external context, internal context and the risk management context **[10Marks]**
4. Outline the steps required in order to achieve successful implementation of an enterprise risk management initiative **[5Marks]**

**QUESTION TWO [20MARKS]**

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

**QUESTION THREE [20MARKS]**

1. Discuss the principles of insurance **[14Marks]**
2. Explain the objectives of risk management policy **[6Marks]**

**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 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]**