BOTSWANA OPEN UNIVERSITY

Bachelor of Business and Entrepreneurship

Risk Management

RK 222

Sessional Examination

Marks: 100

Time: 3 Hours

Instructions

1. The examination consists of **Four** sections: A, B, C and D.

2. Begin each answer to a new question on a new page.

3. Answer questions according to instructions given in each section.

4. Write answers in the answer booklet provided.

5. Write in grammatical English.

SECTION A- MULTIPLE CHOICE QUESTIONS   **[10 MARKS]**

Answer all questions. Each question carries ONE (1) mark.

Choose the best alternative answer.

1. Which one of the following sentences best describes risk?

   A. The exposure to the adverse consequences of dangerous environments.

   B. The expected impact of uncertain future events on objectives.

   C. The chance of being caught doing something unethical.

   D. The impact of the exposure to the adverse consequences of uncertain future events.

2. Risk management is the process of reducing adverse consequences either by reducing the
   _____ of an event or its _____. What are the two missing words?

   A. Understanding and impact

   B. Likelihood and potential

   C. Understanding and potential

   D. Likelihood and impact

3. Risk appetite is determined by_____.

   A. Risk attitude and risk awareness.

   B. Risk attitude and risk capacity.

   C. Risk strategy and risk awareness.

   D. Risk attitude and residual risk.

4. Which one of the following is not a strategy for managing risk?

   A. Transference

   B. Approval

   C. Avoidance

   D. Acceptance

DEGREE
January-June

Botswana Open
University

Sessional Examination
RK222 - Risk Management

5. Risk mapping is a technique that is commonly used to show risks on a matrix. Which two variables form the axes or dimensions of a risk map?

   A. Frequency and Severity.

   B. Source and Category.

   C. Type and impact.

   D. All the above.

6. X is a large retailer, employing over 20,000 sales staff. The retail industry has a reputation for a high level of staff turnover. Which category in a risk map would the resignation of a member of sales staff best fit?

   A. Low probability; low impact.

   B. Low probability; high impact.

   C. High probability; low impact.

   D. High probability; high impact.

7. The consequence of a failure to identify all significant risks that an organization faces is likely to be_____.

   1. Business objectives may not be achieved.

   2. Operating costs may increase.

   3. Opportunities may be overlooked.

   4. Risks will be better identified in future.

   A. 1 and 2.

   B. 1, 3 and 4.

   C. 1, 2 and 3.

   D. None of the above.

8. Relying on historic analysis when assessing potential risks and possible impacts implies that_____.

   A. Should adverse events occur, the impact can be accurately modelled.

   B. All significant risks can be confidently analysed.

   C. Management believes that the future will behave much like the past.

   D. All the above.

9. You are finding it difficult to evaluate the exact cost impact of risk. You should evaluate on a(n):

   A. Quantitative basis.

   B. Numerical basis.

   C. Qualitative basis.

   D. Economic basis.

10. During which risk management process is a determination to transfer a risk made?

    A. Identify Risks.

    B. Perform Quantitative Risk Analysis.

    C. Plan Risk Response.

    D. Monitor and Control Risks.

SECTION B -TRUE / FALSE QUESTIONS   [10 MARKS]

Answer ALL questions in this section. Each question carries ONE (1) mark.

State whether each of the following statements is TRUE or FALSE.

1. Organizations that have risk management embedded in their activities perform better than those that do not.

2. It is possible for a business to find a formula that avoids risks completely.

3. Most business people are generally risk averse.

4. Business risks are almost inevitable in any kind of economy.

5. Risk transfer is the primary principle behind insurance transactions.

6. In a small business individual employees determine the acceptable level of risk for the business.

7. Risk is a measure of likelihood and consequence.

8. The propensity to incur loss is called vulnerability.

9. Enterprise Risk Management is about the systemic understanding and management of business operations within the context of the organization's culture, beliefs, mission, objectives, and organizational structure.

10. Firms often look to trends to find how risks change or shift over time.

DEGREE
January-June

Botswana Open
University

Sessional Examination
RK222 - Risk Management

SECTION C- SHORT ANSWER QUESTIONS   [30 MARKS]

Answer ALL questions in this section.

1. Briefly explain the three types of risks.   **(6 marks)**

2. Identify the two main sub-categories of risk and for each category give relevant examples from a small business.   **(6 marks)**

3. Describe the logical sequence to be followed when undertaking risk analysis and evaluation:
                    (3 marks)

4. Describe any five sources of risks in a small business.   **(5 marks)**

5. Draw up a risk map for a small business and describe the strategies you would use in each quadrant.   **(10 marks)**

SECTION D- ESSAY TYPE QUESTIONS   [50 MARKS]

Answer any TWO questions in this section.

QUESTION 1

a. You are employed as a risk manager of a large hotel in Northern Botswana. Describe the types of risks that the hotel may be exposed to.   **(15 marks)**

b. Describe the different methods that the hotel will use to manage the risks identified in (a) above.   **(10 marks)**

QUESTION 2

Evaluate the main advantages for a small business to implement risk management best practices in the organization.   **(25 marks)**

QUESTION 3

If business enterprises were completely risk-free, it is likely that everyone would engage in business or there would be no business at all. Discuss this statement using appropriate examples as illustrations.   **(25 marks)**

END OF EXAMINATION