



**DEGREE**  
**January-June**

**Sessional Examination**  
**RK212/RK222-Risk Management**

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**BOTSWANA OPEN UNIVERSITY**

**Bachelor of Business Entrepreneurship**

**Bachelor of Business Administration**  
**(Leadership and Change Management)**

**Risk Management**  
**RK 212/RK222**

**Marks: 100**  
**Duration: 3 Hours**

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**Instructions**

1. The examination consists of **FOUR** sections: A, B, C and D
2. Start each answer to a new question on a new page.
3. Answer questions according to instructions given.
4. Write in grammatical English.



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SECTION A: MULTIPLE CHOICE QUESTIONS

[10MARKS]

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

Choose the best answer from the given alternatives.

1. Mitigating risk implies that \_\_\_\_\_.
  - A. Accepting that you can do nothing about the risk
  - B. Finding ways of reducing the probability of the risk occurring
  - C. Avoiding the risk
  - D. None of the above
  
2. Measuring risks in terms of *likelihood* probability and *impact* magnitude of impact is called \_\_\_\_\_.
  - A. Risk identification.
  - B. Risk assumption.
  - C. Risk avoidance.
  - D. Risk assessment.
  
3. Most firms shift their risks by \_\_\_\_\_.
  - A. Buying a stock
  - B. Establishing a self-insurance fund
  - C. Establishing a safety program
  - D. None of the above



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4. The process for determining the types of risks to which a company is exposed to is \_\_\_\_\_.
- A. Risk mitigation.
  - B. Risk assumption.
  - C. Risk identification.
  - D. Risk transference.
5. \_\_\_\_\_ prevent entrepreneurs to accept risk.
- A. Uncertain future in the current organisation
  - B. Fear of getting in debts.
  - C. All of the above
  - D. None of the above
6. A driver training program is an example of \_\_\_\_\_.
- A. Risk Avoidance.
  - B. Risk Reduction.
  - C. Risk Transfer.
  - D. Risk Elimination.
7. When an individual buys insurance to cover losses caused by accidents, the firm is \_\_\_\_\_.
- A. Transferring risk
  - B. Avoiding risk
  - C. Reducing risk
  - D. Accepting risk



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8. Risks that insurance firms will not assume are called \_\_\_\_\_.
- A. Insurable risks
  - B. Pure risks
  - C. Unavoidable risks
  - D. Uninsurable risks
9. PESTEL stands for \_\_\_\_\_.
- A. Political, Economic, Social, Technological, Environmental, Legal
  - B. Political, Economic, Social, Technological, Environmental, Law
  - C. Political, Environmental, Social, Technological, Economic, Legal
  - D. Political, Environmental, Socio-cultural, Technological, Economic, Legal
10. All of the following are financial risks which may be faced by business organisations except \_\_\_\_\_.
- A.  Interest rate risk
  - B.  Change in inflation rate
  - C. Product liability risk
  - D. Currency exchange rate risk



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**SECTION B – TRUE/FALSE QUESTIONS**

**[10 MARKS]**

**Answer ALL questions. Each question carries ONE (1) mark.**

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

1. Risk management increases risk awareness in an organisation for effective management of potential risks.
2. Opportunity-based risk for a small business could include using unproven technology.
3. The willingness to accept risks and develop opportunity is based on the uncertainty of the entrepreneurial environments.
4. Risk may have a positive value and negative impact at the same time
5. A risk is often specified in terms of an event or circumstance and the consequences that may flow from it.
6. The determination of whether a specific risk is tolerable will involve consideration of risk appetite for that risk.
7. There is no uniform approach to risk management and reporting to ensure adoption of best practices.
8. Hazard risk is one of the external risks small businesses face in Botswana.
9. The consequence of a failure to identify all significant risks that an organisation faces may result to increasing in operating costs.
10. Risk management is useless if the loss has already occurred



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**SECTION C – SHORT ANSWER QUESTIONS**

**[30 MARKS]**

**Answer all questions in this Section.**

**Question 1**

a. What is operational risk?

**(2 marks)**

b. Discuss 3 aspects of operational decisions an entrepreneur must consider to flourish business.

employees  
facilities & location.  
organisation  
operational risk  
growth strategy & plan.

**(9 marks)**

**Question 2**

Having identified potential risks in your business, explain in brief, five available options to manage the probability of the risks to occur.

**(10 marks)**

- Debt reduction
- HR & human capital
- Mentors
- walk away
- Partners

**Question 3**

Briefly explain three potential external risks to a small business in Botswana. **(9 marks)**

Strategic  
Political  
financial  
Hazards  
operational.



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**SECTION D ESSAY-TYPE QUESTIONS**

**[50 MARKS]**

**There are three questions in this section. Answer any 2 questions**

**QUESTION 1**

1. Hundreds of people have been killed and hundreds of thousands more have been affected by what the UN says could be "one of the worst weather-related disasters ever to hit the southern hemisphere" (United Nations, 2019). The *Cyclone Idai* affected Mozambique, Malawi, Zimbabwe and Madagascar.
  - a. With your knowledge in this module, how will you categorise and describe the risk associated with Cyclone Idai? **(7 marks)**
  - b. Describe four impacts that the category of the risk had on the small business owners in this situation. **(12 marks)**
  
2. Explain with an example the assertion that, the amount and type of risk a business owners expose to vary from place to place and from time to time and by industry to industry. **(6 marks)**



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**QUESTION 2**

a. Explain 5 barriers that prevent entrepreneurs to accept risk **(10 marks)**

b. Explain five benefits of incorporating a risk management approach in small business.

**(15 marks)**

**QUESTION 3**

Discuss five external and internal <sup>risk</sup> factors <sup>are</sup> that associated with running both small and large businesses in Botswana. **(25 marks)**

- Financial
- Operational
- Social
- Political
- Technological

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**END OF EXAMINATION**

- Strategic
- Financial
- Hazard