

BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING

Bachelor of Business Administration- Leadership and Change Management

Risk Management

RM221

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

Choose the best alternative.

1. To which of the following does the word 'perils' refer?
 - A. Conditions that increase risk
 - B. The cause of loss.
 - C. Ways to reduce risks.
 - D. Negligent behavior.

2. Which of the following describes a risk averse person?
 - A. A risk averse person is uncomfortable with uncertainty and always wants to reduce risks.
 - B. A risk averse person will pursue investments with high uncertainty and volatility in exchange for anticipated higher returns.
 - C. A risk averse person is most concerned by the expected return.
 - D. None of the above.

3. Risk management includes all of the following except _____.
 - A. Risk monitoring and control.
 - B. Risk identification.
 - C. Risk avoidance.
 - D. Risk response planning.

4. When should a risk be avoided?
 - A. When the risk event has low probability of occurrence and low impact.
 - B. When the risk event is unacceptable and has high probability of occurrence and high impact.
 - C. When it can be transferred by purchasing insurance.
 - D. A risk event can never be avoided.



5. An example of risk mitigation is _____.
- A. Using proven technology in the development of a product to lessen the probability of product failure.
 - B. Purchase insurance.
 - C. Eliminate the cause of the risk.
 - D. A and B.
6. Risk management can be defined as the art and science of _____ risks factors throughout the life cycle of a project.
- A. Researching, reviewing and acting on
 - B. Identifying analyzing and responding to
 - C. Reviewing, monitoring and managing
 - D. Identifying, reviewing and avoiding
7. What are moral hazards?
- A. Moral hazards refer to conditions that increase the cause of a loss.
 - B. Moral hazards refer to situations where people take undue risks because they do not have to bear the consequences.
 - C. Moral hazards refer to conditions that decrease the cause of losses.
 - D. Moral hazards involve attitudes of carelessness and lack of concern.
8. If A is less risk averse than B, then which of the following statements is true?
- A. For the same risk, A requires a higher return than B.
 - B. For the same return B tolerates a higher risk than A.
 - C. For the same return A tolerates a higher risk than B.
 - D. For the same risk, B requires a higher return than A.



9. Which of the following is not a pure risk?

- A. Fire risk.
- B. Investment risk.
- C. Flood risk.
- D. Earthquake risk.

10. The following are some of the risks that confront a risk manager at BOCODOL except _____.

- A. Riots by students.
- B. Electrical power cuts.
- C. Fire.
- D. Hurricanes.

SECTION B- TRUE OR FALSE

[10 MARKS]

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

State whether each of the following statements is True or False.

1. A high risk activity is likely to cause a lot of damage.
2. Something risky is always negative.
3. Risk combines the chance of something happening along with the amount of harm it can cause.
4. Operational risks are generally considered as the risk of accident, mistake, or omission.
5. Brainstorming technique is one of the methods used to identify all internal and external factors that could affect achieving the vision that you have for an organisation.
6. Scenario building improves strategy development and helps make your stakeholders more aware of risks and constraints.
7. Risk avoidance can be defined as performing an activity that could carry risk.
8. Entrepreneurs do not necessarily seek out risks; they assume risks.
9. Risk transfer is not the primary principle behind insurance transactions.
10. A risk management plan enables an organisation to document the stages of the risk process in one document.



SECTION C- SHORT ANSWERS

[20 MARKS]

Answer ALL questions from this section.

1. Name two ways in which the government is involved in risk management. **(4 marks)**
2. Identify one way to manage the risk to items that are susceptible to water damage. **(2 marks)**
3. Explain the relationship between risk elimination and risk avoidance. **(4 marks)**
4. Name two items covered in a risk management statement. **(2 marks)**
5. List four objectives of a risk management in an organization. **(4 marks)**
6. Outline what a risk map is and its importance in the risk management process. **(4 marks)**

SECTION D- ESSAY TYPE QUESTIONS

[60 MARKS]

Answer any **THREE** questions from this section.

QUESTION 1

[20 MARKS]

An emerging concept in risk management is that there are three types of risk that organisations need to manage. Identify and explain these three types of risks that organizations need to manage. (Your answer should begin with a definition of risk management). **(20 marks)**

QUESTION 2

[20 MARKS]

As an entrepreneur you will make a number of operational decisions in setting up your business and producing your product or service. Analyse five (5) business operational decisions facing your business startup. **(20 marks)**

QUESTION 3

[20 MARKS]

Apply PESTLE analysis to help you assess the risk arising from the impact of external factors facing BOCODOL. **(20 marks)**

QUESTION 4

[20 MARKS]

Identify and discuss the three (3) approaches to risk adjustment. (Begin your discussion with a definition of risk adjustment). **(20 marks)**

QUESTION 5

[20 MARKS]

- a. Define the concept of a risk aware culture and explain its importance in an organization. **(5 marks)**
- b. Demonstrate how each of the following five (5) aspects: Leadership, Stakeholder involvement, Learning, Accountability, Communication; enhances a risk aware culture. **(15 marks)**

END OF EXAMINATION