BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING

Bachelor of Business Administration- Leadership and Change Management

Risk Management

RM221

Special 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. Risk assessment tools include_____.
   A. Brainstorming
   B. Risk mapping
   C. Scenario building
   D. B and C

2. While reviewing your business plan you identified several risks that could halt, slow, or affect the profit of your business. What should you do with these risks?
   A. List them by name.
   B. Rank them by importance.
   C. Identify the potential cost.
   D. All of the above.

3. Which type of risk is something that can generally be controlled?
   A. Internal risks
   B. Systematic risks
   C. External risks
   D. Market risks

4. To which of the following do perils refer?
   A. Conditions that increase risk
   B. The cause of loss
   C. Ways to reduce risks
   D. Negligent behavior

5. Inflation can be identified as_____risk.

   A. Systematic

   B. Unsystematic

   C. Total

   D. Diversifiable

6. The following is a role of a risk manager in an organization.

   A. The Risk manager has to keep company buildings safe and operational.

   B. The Risk manager gives directions for how to take care of the weather related potential damages or loses from fires or perils.

   C. The Risk manager is usually part of the organisation management team responsible for all risk elements, including pure and opportunity risks.

   D. None of the above.

7. Which of the following best describes a pure risk?

   A. Pure risks are a family of risks in which all possible outcomes are harmful in some way.

   B. Pure risk is a situation that can only end in a loss.

   C. Pure risks do not present themselves due to the small chance of occurrence.

   D. All of the above.

8. Uncertainty risks are also known as_____.

   A. Hazard risks

   B. Control risks

   C. Pure risks

   D. None of the above

9. Which of the following is included as a fundamental risk?

    A. Floods.

    B. War.

    C. Earthquake.

    D. All of the above.

10. 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 loses.

    D. Moral hazards involve attitudes of carelessness and lack of concern.

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. Risk assumption is also known as risk absorption or risk retention

2. Behind entrepreneurial drive, risk management is the most inconsequential aspect of entrepreneurship.

3. Risk management is important only in private organisations.

4. Risk adverse people want to avoid the risk of losing something unless adequately compensated for it

5. Risk avoidance culture in an enterprise is always intuitive.

6. It is possible to create a business plan that identifies every risk your business might face.

7. One way of understanding the effects of a risk is to establish the risk profile of a given exposure.

8. The environmental scan decreases the organization's awareness of the key characteristics and attributes of the risks it faces.

9. Speculative risks are a family of risks in which some possible outcomes are beneficial.

10. Scenario building improves strategy development and helps make your stakeholders more aware of risks and constraints.

SECTION C- SHORT ANSWERS [20 MARKS]

Answer ALL questions from this section.

1. Define risk identification and risk assessment. **(4 marks)**

2. List two (2) benefits of using a risk mapping process in an organization. **(4 marks)**

3. What is the cost of insurance called? **(2 marks)**

4. Explain the relationship between risk elimination and risk avoidance. **(4 marks)**

5. Differentiate between a risk and a hazard. **(4 marks)**

6. Define risk assumption. **(2 marks)**

SECTION D- ESSAY TYPE QUESTIONS [60 MARKS]

Answer any THREE questions from this section.

QUESTION 1 [20 MARKS]

With the aid of examples, discuss the following categorization of risks

a. Opportunity based risk. **(7 marks)**

b. Hazard based risk. **(7 marks)**

c. Uncertainty based risk. **(6 marks)**

QUESTION 2 [20 MARKS]

Outline in detail, the stages of the risk management process, supporting with typical examples.

(20 marks)

QUESTION 3 [20 MARKS]

Discuss five (5) early warning indicators of risks in any organisation of your choice. **(20 marks)**

QUESTION 4 [20 MARKS]

There are many ways that entrepreneurs in small businesses can reduce risk. Effective management is clearly the best way to reduce the impact of many risks, particularly speculative risks. Discuss any five (5) common risk reduction options usually used by enterprises.

(20 marks)

END OF EXAMINATION