

**BOTSWANA COLLEGE OF DISTANCE
AND OPEN LEARNING
In collaboration with
THE VIRTUAL UNIVERSITY
FOR SMALL STATES OF THE COMMONWEALTH
(VUSSC)**

Bachelor of Business and Entrepreneurship

Risk Management

RK222

Sessional Examination

Marks: 100

3 HOURS

Instructions

1. This 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. _____ is a risk response that involves eliminating a threat.
 - A. Mitigation
 - B. Avoidance
 - C. Transfer
 - D. None of the above

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

3. When should risk be avoided?
 - A. When the risk have low probability of occurrence and low impact.
 - B. When the risk has a very probability of occurrence and high impact
 - C. When it can be transferred through buying insurance
 - D. None of the above

4. _____ is an example of risk mitigation.
 - A. Eliminating the cause of a risk
 - B. Accepting a lower profit if costs overrun
 - C. Using proven technology in the development of a product to lessen the probability that the product will not work
 - D. All of the above

5. The first step in the risk management process is _____
- A. Measure and analyse exposures
 - B. Exposure identification
 - C. Implementation of the risk management program
 - D. Selection of the appropriate risk treatment technique
6. Which statement about risk management is true?
- I. Risk management is concerned with the identification and treatment of loss exposures.
 - II. Risk management is an on-going process.
- A. I only
 - B. II only
 - C. Both I and II
 - D. Neither I nor II
7. An advantage of using insurance in a corporate risk management programme is _____.
- A. Premium payments are not tax deductible
 - B. Insurance coverage may be expensive
 - C. It may take time to negotiate coverage and terms
 - D. The presence of insurance may lead to reduced incentives to engage in loss control
8. In response to an increase in shoplifting losses, Pep installed surveillance cameras and began to use magnetic tags on goods. These measures are examples of which risk management technique?
- A. Risk transfer
 - B. Risk retention
 - C. Risk avoidance
 - D. Loss control



9. _____ is the worst loss that could possibly occur.
- A. Probable maximum loss
 - B. Limit of liability
 - C. Maximum likely loss
 - D. Maximum possible loss
10. Choosing not to ride in a car is an example of _____
- A. Shifting risks
 - B. Risk reduction
 - C. Risk avoidance
 - D. Risk insurance

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. A firm that markets a new product assumes the risk of product failure.
2. Risk management is useless if the loss has already occurred.
3. Incorporating a business is a form of noninsurance transfer.
4. The major advantage of avoidance as a risk management technique is that the chance of loss associated with a particular exposure can be reduced to zero.
5. Past claims data are of no value to the risk manager.
6. One of the risks facing entrepreneurs is called operational risk.
7. Risk cannot be categorised.
8. S in PESTEL stands for Socio-economic.
9. Sometimes we just have to accept the fact that there is nothing you can do if the risk occurs.
10. Fear of debt can hinder acceptance of risk.

SECTION C – SHORT ANSWER QUESTIONS

[30 marks]

Answer all questions in this Section.

1. What are the five steps in the risk management process? **(5 marks)**

2. Define the following terms:
 - a) Risk **(2 marks)**
 - b) Risk avoidance **(2 marks)**
 - c) Risk transfer **(2 marks)**
 - d) Risk assessment **(2 marks)**

3. State six ways in which a business can reduce risk. **(6 marks)**

4. Name the quadrants of a risk map. **(4 marks)**

5. How can a business ensure continuous risk management learning. **(4 marks)**

6. Outline three types of risk. **(3 marks)**



SECTION D ESSAY-TYPE QUESTIONS

[50 marks]

Answer any TWO questions from this Section.

QUESTION 1

(25 MARKS)

Read the following case study and do a SWOT analysis.

(25 marks)

A case of Research in Motion, Blackberry

Research in Motion (RIM), Blackberry is a Canadian company with 12,700 employees in 2013 and a market clientele worldwide. Its main competitors are Apple, Google, Nokia OYJ, Samsung and Huawei. In 2012 it made revenue of more than 18 billion and turned in a profit of more than one billion. The primary RIM's competitive advantage is its very secure mobile phones. The company released its phones with secure encrypted network that allowed sending emails between phones without possibility of stealing the information. This became the USP (unique selling proposition) of Blackberries and was a very attractive feature for corporates and governments that other phones didn't have. As a result, BlackBerry became no.1 choice for enterprises and governments. The result is a more focused approach to satisfying the needs of this narrow segment, something that other businesses rarely do. BlackBerry's brand was known for the market long before Apple's iPhone launch or Samsung's Galaxy success. When the iPhone was launched, RIM had a better quality BlackBerry phone in the market, enjoyed larger sales and greater brand reputation but was unable to build on that due to poor marketing efforts.

Even with better quality products, the company would be unable to "sell" them to consumers as it would be overshadowed by Samsung's and Apple's marketing spending. Inability to market the brand also resulted in declining brand reputation and low customer loyalty. According to Interbrand, BlackBerry's brand was one of the top declining brands in 2012 out of the top 100 best global brands. It was valued lower than Apple's, Samsung's or Nokia's brands. Declining brand value indicates decreasing brand appeal to consumers and lower sales. The company has already suffered from using the outdated version of OS on its phone and multiple delays of new OS introduction. BlackBerry is highly dependent on government and corporate contracts as these make up the largest company's customer base. Although BlackBerry offers the most attractive phones for governments and corporates due phones high security features, the company is not guaranteed to receive long-term contracts from the

government. RIM's BlackBerry PlayBook tablet was an unsuccessful effort to enter the tablet market and the product captured only the small market share, resulting in losses for the company. Poor presence in the tablet market decreases company's chance to successfully compete with Apple or Samsung who enjoy significant income and profit growth due to the tablet sales. BlackBerry has a great opportunity to strengthen its position in this fast growing market and capture larger market share. The growth of mobile advertising market is an opportunity, which could be exploited by BlackBerry on its smartphones and tablets. The key competitive advantage in technology sector is strong patent portfolio. Patents can be discovered by engaging in costly research and development or through acquisitions of other firms, which is the best option available for BlackBerry now. One of the most severe threats BlackBerry and the other tech companies are facing is rapid technological change. Companies are under the pressure to release new products faster and faster. The one that cannot keep up with the competition soon fails. This is especially hard when a company wants to introduce something new, innovative and successful. RIM has been subject to this threat a few times when it couldn't release its new BlackBerry OS on time and when it rushed its PlayBook tablet to the market. Smartphones market in the developed economies is saturated and experience slow growth rate. This affects BlackBerry's ability to expand its market share in US and Canada. BlackBerry has already been outcompeted by Samsung on renewing some of US government contracts last year.



QUESTION 2

(25 MARKS)

A) Discuss the benefits of incorporating a risk management approach in your small business.

(15 marks)

B) With the aid of examples, differentiate between opportunity-based risk and uncertainty-based risk.

(10 marks)

QUESTION 3

(25 MARKS)

State and discuss the five types of risks faced by entrepreneurs.