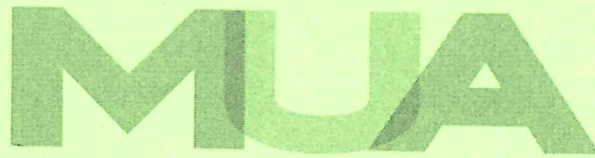


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF BACHELOR OF COMMERCE

INS 411 : RISK ASSESSMENT, CONTROL AND FINANCE

DATE: 9TH AUGUST 2024

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

previous years experienced flooding which washed away household items, livestock and made some homes and schools engulfed in water. Landslides have also been experienced in the past in some parts of Kenya due to heavy downpour of rains especially in some parts of central Kenya and Rift Valley regions whereby buildings were submerged and lives and properties lost.

In the meteorological advisory spread over various Kenyan media stations, from a national point of view, the overall benefits of the forecasted El-Nino rains are expected to outweigh the negative effects as long as precautionary measures are undertaken.

Required:

- a) Describe five general classifications of risks directly or indirectly linked to the case study and for each, cite examples from the case study above. **(10 Marks)**
- b) Examine six 'requisites of insurability' of risks showing why some specific risks highlighted in the case study are uninsurable. **(12 Marks)**
- c) Demonstrate the perils and hazards that are captured in the case study. **(3 Marks)**

QUESTION TWO

- a) Exemplify the applications of 'future contract' in hedging of risks in different industries. **(7 Marks)**
- b) Maadili Company is a Kenyan registered company while Brussels Company is incorporated in the USA. Demonstrate how the two companies can use 'interest rate swaps' and 'currency swaps' to reduce exposures to risks. **(8 Marks)**

QUESTION THREE

- a) Distinguish between 'American options' and 'European options' showing their usefulness in minimizing risks associated with fluctuating petroleum prices in Kenya. **(6 Marks)**
- b) Design six procedural steps involved in 'risk assessment process' showing their applications to a specific airline company of your choice. **(9 Marks)**

QUESTION FOUR

- a) Assess four kinds of risks that are associated with 'Swaps' strategy of managing risk exposures emanating from international trade. **(8 Marks)**
- b) Using relevant examples, propose the importance of the 'law of large numbers' to the insurance industry of any country. **(7 Marks)**

QUESTION FIVE

- a) Compose two types of hazards facing particular business firms in your country and prescribe mechanisms of reducing their negative effects. **(5 Marks)**
- b) A risk assessment policy statement articulates the firm's risk assessment programme objectives. In line with the foregoing statement, assess five post-loss objectives of a company that is under threat of insolvency. **(10 Marks)**

QUESTION SIX

- a) Draw a proper diagram of the 'risk treatment matrix' and argue out instances under which different strategies of handling risks are utilized by a business organization. **(9 Marks)**
- b) Appraise the importance of 'flow charts' as a risk identification tool used by an insurance company: **(6 Marks)**

