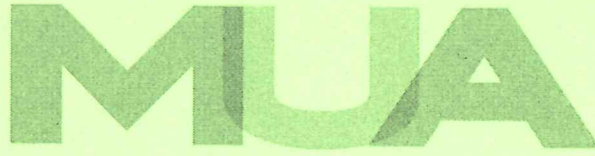


The
Management
University
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

INS 323: CORPORATE RISK MANAGEMENT

DATE: 6TH 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.**

QUESTION TWO

- a) Most challenges faced by risk managers are often similar to those faced by other managers. However, a number of key characteristics will tend to distinguish risk management problems. assess five such characteristics (5 marks)
- b) Describe the risk management process as per the ISO 31000 Risk Management Guidelines (10 marks)

QUESTION THREE

- a) Insurance reduces the impact of financial loss on firms and can be used as a risk transfer mechanism. However, this method may not be suitable in all instances. Evaluate three advantages and three disadvantages of using insurance as a risk transfer mechanism (6 marks)
- b) International market risk involves the foreign exchange risk Explain three types of foreign exchange risks (3 marks)
- c) Explain three methods of managing foreign exchange risk. (6 marks)

QUESTION FOUR

- a) Distinguish between 'moral hazard' and 'morale hazard', and show at least one example of each. (5 marks)
- b) Assess five arguments that may be considered as the benefits of risk management. (10 marks)

QUESTION FIVE

- a) Explain five sources of internal information a company may use to evaluate the risks it faces. (10 marks)
- b) Evaluate five principles under ISO 31000 on effective risk management (5 marks)

QUESTION SIX

a) Evaluate four situations for which one might need to identify risks.

(8 marks)

b) A Kenyan company has exported goods to Tanzania and he has invoiced the customer Tanzanian shillings 900m on a 3 months credit, other relevant data is as follows:

TSh./KSh. (spot) 15.58 - 15.62

3 months forward TSh./KSh. 15.84 - 15.88

	Deposit	Loan
TSh.	7%	9%
Ksh.	5%	8%

Required:

Evaluate the forward market and the money market hedge and recommend the best alternative to the Kenyan exporter.

(7 marks)

