MACHAKOS UNIVERSITY

University Examinations for 2016/2017 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT SCIENCES

SECOND YEAR SECOND SEMESTER EXAMINATION FOR DEGREE IN

BACHELOR OF COMMERCE

BMS 202: RISK MANAGEMENT

DATE: 5/6/2017 **TIME: 8:30 – 10:30 AM**

INSTRUCTIONS:

Answer Question One and Any Other Two Questions

QUESTION ONE

a) Identify and briefly describe in detail the risk management process appropriate for manufacturing company. (10 marks)

b) Distinguish the following terminologies, give examples;

i) Pure risk vs Speculative risk (4 marks)

ii) Static risk vs Dynamic Risk (4 marks)

iii) Objective Risk Vs Subjective Risk (4 marks)

c) The following is a payoff table for a particular venture.

		States of nature				
		θ_1	θ_2	θ_3	θ_4	θ_5
	D_1	150	225	180	210	250
Decision	D_2	180	140	200	160	225
Alternatives	D_3	220	185	195	190	180
	D_4	190	210	230	200	160

Determine the optimal decision using:

i. Max-min criterion. (2 marks)

ii. Max-max criterion. (2 marks)

iii. Min-max regret criterion. (2 marks)

iv. Maximum expected payoff (assuming equal likelihood of states of nature). (2 marks)

QUESTION TWO (20 MARKS)

a) Identify and briefly describe the sources of risk exposures. (10 marks)

b) Discuss approaches used in evaluating risk in the environment of uncertainty. (10 marks)

QUESTION THREE (20 MARKS)

a) Elaborate on techniques of risk identification adopted by business enterprises. (10 marks)

b) Describe various tools of risk identification used by organizations. (10 marks)

QUESTION FOUR (20 MARKS)

a) Describe the responsibility of risk manager in the organization. (10 marks)

b) Brief describe the concept of enterprise management. (10 marks)

QUESTION FIVE (20 MARKS)

Write brief notes on the following terminologies, give relevant examples;

a) Risk Avoidance (4 marks)

b) Risk Reduction (4 marks)

c) Risk Transfer (4 marks)

d) Risk Retention (4 marks)