



# MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

SECOND YEAR SPECIAL/ SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF COMMERCE

BMS 202: RISK MANAGEMENT

DATE: 23/3/2021

TIME: 2.00-4.00 PM

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## INSTRUCTIONS:

Answer Question ONE and any other TWO Questions.

### QUESTION ONE (30 MARKS)

- a) Analyze the concept of risk management (4 marks)
- b) Explain any six reasons why a company should prepare a risk management policy (12 marks)
- c) Contrast the following terms as used in risk management
  - i. Voluntary retention and involuntary retention
  - ii. Funded Retention and Unfunded retention (6 marks)
- d) Explain any four Advantages of risk retention (8 marks)

### QUESTION TWO (20 MARKS)

- a) Describe the characteristics of the following types of risks
  - i. Pure Risk
  - ii. Speculative risk
  - iii. Fundamental Risk
  - iv. Static Risks
  - v. Dynamic Risks (12 marks)
- b) Explain two key characteristics that tend to distinguish risk management problems (8 marks)

**QUESTION THREE (20 MARKS)**

- a) Explain four socio-economic benefits of risk management (12 marks)
- b) Explain the costs that make insurance business expensive (8 marks)

**QUESTION FOUR (20 MARKS)**

- a) Discuss four concepts that underlie personal risk management (8 marks)
- b) Explain four steps involved in personal risk management (12 marks)

**QUESTION FIVE (20 MARKS)**

- a) Discuss the any five types of foreign exchange risks (10 marks)
- b) Explain five activities associated with underwriting risk management process (10 marks)