



# **MACHAKOS UNIVERSITY**

**University Examinations for 2020/2021 Academic Year**

**SCHOOL OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF BUSINESS ADMINISTRATION**

**SECOND YEAR FIRST SEMESTER EXAMINATION FOR**

**BACHELOR OF SCIENCE (AGRIBUSINESS MANAGEMENT AND TRADE)**

**BACHELOR OF COMMERCE**

**BMS 202: RISK MANAGEMENT**

**DATE: 11/8/2021**

**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) Compare and Contrast the following terms as used in risk management
  - i. Voluntary retention and involuntary retention (3 marks)
  - ii. Funded Retention and Unfunded retention (3 marks)
- d) Explain any four advantages of risk retention (8 marks)

### **QUESTION TWO (20 MARKS)**

- a) Describe the characteristics and give examples of the following types of risks
  - i. Pure Risk and Speculative risk (4 marks)
  - ii. Fundamental Risk and Static Risks (4 marks)
- b) Risk management is different from any other management practices. Explain any four key characteristics that tend to distinguish risk management from any other business management practices. (12 marks)

**QUESTION THREE (20 MARKS)**

- a) Explain three economic and three social benefits of risk management in the Kenyan Society. (12 marks)
- b) In your opinion, analyze 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 any five types of foreign exchange risks (10 marks)
- b) Explain five functions of underwriter in risk management process (10 marks)