



REFORMED CHURCH UNIVERSITY

FACULTY OF COMMERCE
BACHELOR OF COMMERCE HONOURS DEGREE IN
BANKING & FINANCE
FUNDAMENTALS OF RISK ANALYSIS & MANAGEMENT

HBAF 206

PART 2 SEMESTER 1 EXAMINATION

TOTAL MARKS [100]

DATE: DECEMBER 2024

Time: 3 Hours

INSTRUCTIONS

- 1 This paper has *six (6)* questions
 - 2 Answer Question One (*1*) and any other *three (3)*
 - 3 Each question carries *25 marks*
 - 4 Start each question on a new page
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1. Evaluate the role of credit derivatives in the 2007-2009 financial crisis highlighting the changes in the credit derivative market that occurred because of the crisis. (25)
2. Explain the process of securitization and assess the risk of different business models that banks in Zimbabwe may use for securitized products. (25)
3. Discuss the modern portfolio theory and interpret the Markowitz efficient frontier. (25)
4. a) Compare and contrast the assumptions underlying the CAMP and the arbitrage pricing theory (APT) (15)
b) CAPM calculation: If the risk-free rate is 4% and the market premium is 5%, what is the expected return for an asset with a beta of 1.2? (10)
5. a) Explain the challenges to the implementation of a strong risk data aggregation and reporting process. (17)
b) Analyze the potential impacts of using poor-quality data. (8)
6. A large multinational bank is restructuring its risk management framework to align with the Basel Committee's principles for effective risk data aggregation. As a new officer, evaluate different strategic options consistent with the Basel Committee's guidelines. (25)

END OF PAPER