



REFORMED CHURCH UNIVERSITY

FACULTY OF COMMERCE

**BACHELOR OF COMMERCE HONOURS DEGREE IN BUSINESS
MANAGEMENT**

RISK MANAGEMENT & POLICY

HBUM 403

PART 4 SEMESTER 1

Total Marks [100]

DATE: OCTOBER 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

1. a) Citing relevant examples, explain the importance of risk management in business organizations. [10 marks]
b) Discuss the difference between operational risk and financial risk. Provide examples of each. [15 marks]
2. Alpha Limited is a Zimbabwean firm that has a total financial exposure of \$200 000 broken down into 3 loans issued to A-\$80 000, B -\$70 000 and C -\$50 000. The senior management team of the financial institution has predicted that there are 2%, 3% and 4% chances of the borrowers of the funds defaulting respectively. Evaluate the mean and standard deviation of the institution's total exposure. [25 marks]
3. Citing relevant examples, discuss the role of risk management in strategic planning and decision-making processes. [25 marks]
4. Explain the concept of risk assessment citing different methods and tools used in conducting risk assessments. [25 marks]
5. Discuss how the objectives and key principles of Basel 1 and Basel 2 frameworks aim to enhance the stability and soundness of the banking system. [25 marks]
6. Explain the risk identification process in an organisation citing relevant examples [25marks]

END OF PAPER

