

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**FOURTH YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR
OF AGRIBUSINESS MANAGEMENT**

AGBM 401: RISK MANAGEMENT

STREAMS: AGBM (Y4S2)

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 18/04/2018

11.30 A.M. – 1.30 P.M.

INSTRUCTIONS:

- **Answer question ONE and any other TWO.**
- **Do not write on the question paper.**

QUESTION ONE

- (a) ABC Limited is a big agro-chemical company which specializes in the processing and supply of pesticides and other farm inputs to agricultural farmers. Management is proud of posting good results of its performance. However, going through the books of account, a lot is revealed. Their balance sheets for the year 2014, 2015 and 2016, reveal a steady growth of accounts receivables, growth of non-current assets especially land and buildings compared with stocks. The chairman of the board advises the finance manager that, they can double investments on real estate as the value of these properties keep on increasing. The finance manager agrees to this idea and promises to focus on this line of investment immediately the suppliers are sorted out. Currently ABC's suppliers are being paid after 60 days. Explain the type of risk(s) ABC agro-chemical Company Limited is experiencing. (10 marks)
- (b) XYZ Ltd is a large manufacturing enterprise which started its operations two decades ago in Nairobi Industrial area. The board of directors in their board meeting, resolved to establish a risk management department to handle all their risk exposures which they discovered were major threats to their operations and profitability. Assume you have been recruited as a manager in charge of risk management department. Explain to the board the possible objectives of a risk management programme. (10 marks)
- (c) Analyze the ideal structure of a risk register. (10 marks)

QUESTION TWO

- (a) In the recent years, many organizations have embraced the concept of risk and have strategically established risk management departments to manage all aspects of loss and risk management. Explain the role of risk management department in such organizations. (8 marks)
- (b) Risk management is a process. Discuss. (12 marks)

QUESTION THREE

- (a) Frequency and severity of losses have been the guiding principles for any prudent risk management decision. Discuss. (12 marks)
- (b) Is risk identification of any value in risk management framework? (8 marks)

QUESTION FOUR

- (a) The government of Kenya has of late been in the forefront in the fight against terrorism, accidents on the roads and many other disasters. A big budget for instance is usually allocated in boosting security manpower and food security by way of improved methods of farming. Most organizations have also either established risk management departments with elaborate continuity plans or are using the services of risk management consultants. Explain why risk management is becoming increasingly important in organizations. (8 marks)
 - (b) Critically demonstrate how effective monitoring and review of an elaborate risk management programme in a modern organizations can be hindered. (6 marks)
 - (c) Explain the basic approaches commonly used in risk measurement. (6 marks)
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