

**041305T4BUS**

**BUSINESS MANAGEMENT LEVEL 5**

**BUS/OS/BM/CR/07/6**

**CONTROL BUSINESS RISK**



**TVET CURRICULUM DEVELOPMENT, ASSESSMENT AND CERTIFICATION  
COUNCIL (TVET CDACC)**

**CANDIDATE TOOL**

**WRITTEN ASSESSMENT**

**INSTRUCTIONS TO CANDIDATE**

1. You have **THREE (3)** hours to answer all the questions.
2. Marks for each question are as indicated in the brackets.
3. The paper consists of **THREE** sections: **A, B** and **C**.
4. Do not write on the question paper.

**This paper consists of 8 printed pages.**

*Candidates should check the question paper to ascertain that.*

*All pages are printed as indicated and that no questions are missing.*

**SECTION A (20 MARKS)**

**Answer all questions in this section in the answer booklet provided.**

**Each question carries one (1) mark.**

1. Which of the following include the risk management steps?
  - A. Identifying, analyzing and acting
  - B. Researching, reviewing and responding
  - C. Reviewing monitoring and managing
  - D. Analyzing changing and suppressing
2. Which of the following is NOT a major method of managing risk?
  - A. Loss control.
  - B. Loss diversification.
  - C. Loss financing.
  - D. Internal risk reduction.
3. Which one of the following is a benefit of routine inspection on machines and equipment of a company?
  - A. Frequent wear and tear of machines.
  - B. Regular breakdowns.
  - C. High cost of maintenance.
  - D. Reduced frequency on breakdowns.
4. Which one of the following is an example of indirect loss to the business?
  - A. Employee health problem due to usage of insecticide
  - B. Loss of profits due to poor publicity
  - C. Loss of farm produce due to hailstorms
  - D. Cost of replacing farm equipment after fire
5. Which of the following is a method of transferring risk?
  - A. adding more controls
  - B. insurance
  - C. avoiding

D. outsourcing

6. \_\_\_\_\_ is not a risk management strategy.

A. Risk transfer.

B. Risk mitigation.

C. Risk avoidance.

D. Risk Assurance.

7. Which of the following is not part of the external environment risk?

A. Political risk.

B. Legal risk.

C. Financial risk.

D. Socio-cultural risk.

8. Which one of the following is NOT a positive risk response method?

A. Mitigate

B. Transfer

C. Exploit

D. Share

9. Risk exploitation may be on one of the following.

A. Adopting a new technology

B. Investing in a new project

C. diversifying the market

D. winning a new contract

10. A peril is.....?

A. moral hazard

B. serious and immediate danger that is catastrophic

C. a condition that increases chances of loss

D. probability of loss to occur

11. As a manager of a company how can you deal with a risk that has high probability of occurrence?
  - A. acceptance
  - B. transfer
  - C. avoidance
  - D. ignore
  
12. Risk management policies are not common in many business organizations. What could be the reason behind this?
  - A. Lack of knowledge about them.
  - B. Very hard to get them.
  - C. Not necessary.
  - D. No clarity of purpose.
  
13. Financial risks in business could include all the following except?
  - A. Price risk
  - B. Diversification risk
  - C. Profits margin risk
  - D. Credit risk
  
14. What do you understand by the term risk?
  - A. A situation in which the probability of loss is one.
  - B. A situation in which the probability of loss is zero.
  - C. Uncertain about the occurrence of a loss.
  - D. Low levels of loss occurring.
  
15. The following factors contribute to risk occurrence. Except?
  - A. Uncertainty.
  - B. Complexity.
  - C. Education.
  - D. Inadequate risk culture.

16. Which ONE of the following cannot be considered when taking risk mitigation measures?

- A. Terrorism
- B. Poor health of the manager
- C. Breakdown of machines
- D. Physical injury of the workers

17. Define the term risk insurance in business.

- A. Avoiding of risks
- B. Payment of intentional losses
- C. Centering itself with losses to occur
- D. Pooling resources together to cater for misfortunes

18. \_\_\_\_\_ is the meaning of pure risk.

- A. Beyond human control.
- B. No financial gain.
- C. Major losses to an organization.
- D. Where there are only two possible outcomes: loss or no loss.

19. Acceptance of risks is allowed in one of the risks below. Which one?

- A. Human resource turnover.
- B. Legal liability.
- C. Technology.
- D. Business competition.

20. Which of the following is the first step in risk management?

- A. Assessing the risk
- B. Mitigating the risk
- C. Identifying the risk
- D. Monitoring and controlling the risk.

**SECTION B (40 MARKS)**

*Answer all the questions from this section.*

21. Risk control is a crucial part of the risk management process. State **THREE** benefits of risk control to a business. (3 marks)
22. Businesses don't operate in a vacuum. Several factors influence their operations. Identify **TWO** internal factors that affect their operations. (2 marks)
23. Business risks are inevitable and are of different types. Highlight **THREE** reasons why financial risks are often uninsurable. (3 marks)
24. State **THREE** opportunities an organization may enjoy after doing SWOT analysis. (3 marks)
25. Highlight **TWO** ways of risk reduction that the government may employ in business. (3 marks)
26. Failure to identify business risks may subject a business to unexpected losses. Outline **TWO** reasons why a company needs to identify business risk. (2 marks)
27. State **TWO** importance of strategic plan to the business in risk management. (2marks)
28. Outline **TWO** limitations of having huge business liabilities during risk assessment. (2 marks)
29. Highlight **THREE** reasons that necessitate the need to consider legal and regulatory requirements when undertaking risk mitigation plan in a company. (3 marks)
30. State **FOUR** reasons of training employees on risk mitigation. (4 marks)
31. Outline **THREE** competencies that an effective Risk Manager should possess. (3 marks)
32. After analyzing business risk report it was found out that several areas posed as risks to the company. One of them was employee injury. As a member of risk management team give three recommendations that can mitigate this risk. (3 marks)
33. State **TWO** reasons why it is important to monitor and evaluate risk in risk management process. (2 marks)

34. Company Z has been having more assets which are not functioning for the last one year. The risk management team saw this one as a serious business risk. Highlight **TWO** reasons that could have led to this. (2 marks)
35. Outline **THREE** importance of having enterprise risk management policy in a business. (3marks)

**SECTION C: (40 MARKS)**

*Answer any TWO questions in this section.*

36.

- a) The primary purpose of internal controls is to help safeguard an organization and further its objectives. Internal controls function to minimize risk and protect assets, ensure accuracy of records, promote operational efficiency and encourage rules, regulation and laws. What are the **FIVE** principles associated with internal control. (10 Marks)
- b) Explain **FIVE** business risks associated with legal factors. (10 Marks)

37.

- a) Taking an insurance policy is one of the best ways to mitigate risks. Explain **FIVE** reasons for unpopularity of Insurance in Kenya. (10 Marks)
- b) You are a panelist in the selection of a Risk Management Supervisor. Explain **FIVE** factors that should be considered when selecting a candidate to fill the position. (10 Marks)

38.

- a) Explain **FIVE** business risks associated with political demonstrations. (10 Marks)
- b) (b) Quick limited is in the process of establishing a Quarry in Majimingi Estate. Advise the management on **FIVE** benefits of conducting an environment risk assessment of the area. (10 Marks)