



KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2018/2019

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF  
COMMERCE

RMS 202 : RISK MANAGEMENT

DATE: THURSDAY 22<sup>ND</sup> NOVEMBER 2018

TIME: 4.30 P.M. – 6.30 P.M.

INSTRUCTIONS

Answer Question One and any other Two Questions

Question One

A cinema chain has experienced an increase in the number of property insurance claims and as a result has received notice of considerably increased renewal premiums on their group policy from their insurers.

- a) Describe the options available to the <sup>Cinema</sup>supermarket chain in order to manage its insurance costs, whilst controlling its future claims (exclude alternative risk transfer). (20 marks)
- b) Explain the advantages and disadvantages to the cinema chain of self-insurance (10 marks)

Question Two

- a) Identify six benefits of risk management in an organization (12 marks)
- b) Describe the circumstances under which risk financing may be suitable providing an example of each (8 marks)

Question Three

- a) Discuss the risk Management Framework in a manufacturing firm (14 marks)
- b) Discuss the challenges that a risk manager encounters in performing his duties (6 marks)

\* Question Four

A owns a building valued 30,000 and purchases fire insurance policy from company B for 10,000 and from company C for ksh. 20,000. A partial loss of sh. 15,000. Calculate the settlements (20 marks)