



DEPARTMENT OF BUSINESS MANAGEMENT

B.COM HONS. (STRATEGIC MANAGEMENT) ENTERPRISE RISK MANAGEMENT STM8X02

SUPPLEMENTARY SUMMATIVE ASSESSMENT: DECEMBER 2016
TIME: 3 hours

LECTURERS: DR T.N. VAN DER LINDE

MARKS: 100

MODERATOR: MR. C. HAMMAN (STEINHOFF)

THIS PAPER CONSISTS OF 3 PAGES

NB: THIS PAPER MUST BE HANDED IN WITH YOUR ANSWER BOOKS

INSTRUCTIONS:

1. This is a written open-book assessment.
2. Read the questions carefully and answer what is asked.
3. Answer all the questions:
4. Number your answers clearly.
5. Write neatly and legibly. Systematic exposition is a prerequisite.
6. The use of a non-programmable calculator is allowed.

The general University of Johannesburg policies, procedures and rules pertaining to closed-book written assessments (examinations) apply to this assessment.

In managing the business and delivering on organisational objectives, risk management acts as a business enabler. Risk management is "the right way to do business". But before risk management acts as a business enabler, an understanding of the various concepts and process is of the utmost importance. To develop your skills as a "strategic business manager" your understanding of the various concepts, processes and risk practices will be tested by answering the following questions?

QUESTION 1

(35 MARKS)

One of the most important enablers of risk management is the correct understanding and use of risk management terminology and concepts. Everyone in the business should have the same understanding of these concepts and terminology, and if not, will lead to conflicting goals and the incorrect allocation of resources. Answer the following questions to explain the correct meaning and interpretation of the following concepts:

QUESTION 1a

Analyse the concept risk where risk is defined as "The effect of uncertainty on objectives". In your analysis indicates if there can be such a thing as "objective risk".
(15)

QUESTION 1b

Contrast the concepts "inherent risk" and "residual risk"; also explain the role of risk controls in these two concepts.
(10)

QUESTION 1c

Differentiate between the concepts risk controls and risk responses (risk treatment).
(10)

QUESTION 2

(20 MARKS)

One of the barriers to have risk management as a business enabler is the resistance by employees to embrace risk management as "the right way to do business"

It is required of you to **explain** seven techniques that an organisation can use to entrench risk management within the organisation **(with examples)**.

QUESTION 3

(30 MARKS)

ERM is not a once-off activity but a continuous process consisting out of various sub-processes. Such a process is presented by the ISO31000 risk management standard.

The purpose of risk identification and risk analysis is to identify the risks that an organisation is exposed to, group these risks and provide a judgement of likelihood and consequence of the risks and opportunities identified, should they materialise.

It is required of you to **illustrate** the use of a 5X5 risk matrix (with the impact/consequence) in the development of a risk register. You are further required to **formulate** the concepts relating to the risk matrix i.e. likelihood, consequence, risk appetite, the risk profile and to **illustrate** these on the risk matrix; as well as how the risk matrix can be used in the **allocation of resources**. You are further required to indicate if a Risk Matrix can serve as a useful tool in risk assessment or are there problems in the use of a risk matrix.

QUESTION 4

(15 MARKS)

Organisations task their risk managers to develop a business continuity plan in response to risks. When these risks materialises fingers are then being pointed at managers who "hasn't managed their risks.

Contrast the concepts of **risk management**, **disaster management** and **business continuity management**. Indicate if these three concepts can be accommodated in the same framework.

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