

Tutorial letter 101/3/2018

Enterprise Risk Management

RSK2601

Semesters 1 & 2

**Department of Finance, Risk Management and
Banking**

IMPORTANT INFORMATION:

Please register on *myUnisa*, activate your *myLife* e-mail addresses and make sure you have regular access to the *myUnisa* module site RSK2601-2018 S1 or S2.

Note: Please note that this module is offered online only. All material will be made available on *myUnisa* under “official study material” and/or under “study units”. However, in order to support you in your learning process, you will also receive some study materials in printed format.

BARCODE

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1 INTRODUCTION

Dear Student

Welcome to the module Enterprise Risk Management (RSK2601). You have enrolled for an interesting yet challenging module. To be successful in this module, you will have to devote at least 120 hours to reading, summarizing and doing assignments.

Do not hesitate to contact me (on *myUnisa*, by email or by telephone) if you are experiencing problems with the content of this tutorial letter or any aspect of the module. I sincerely hope that you find this module, as well as your online learning experience, interesting and rewarding and trust that you will complete the module successfully.

Please also provide Unisa with your cellular number because important announcements may be sent to you by sms. Also check your *myLife* email address regularly for announcements.

1.1 To get started...

Please note that this module is offered fully online and you therefore need to go online to see your study material and complete the learning activities for this course. Go to the website here: <https://my.unisa.ac.za> and login with your student number and password. You will see the RSK2601-18-S1/S2 module site in the row of modules in the orange blocks across the top of the webpage. Remember to also check in the - more site - tab if you cannot find it in the orange blocks. Click on the module you want to open and read the **Welcome page**.

2 MODULE FORMAT: RSK2601

2.1 Fully online module

All study material for this module will be available on *myUnisa*. It is thus very important that you register on *myUnisa* and access the module site on a regular basis. You must be registered on *myUnisa* to be able to access your learning material and assignment questions, submit your assignments, gain access to various learning resources, “chat” to your lecturer or fellow students about your studies and the challenges that you might encounter, and to participate in online discussion forums. Importantly, *myUnisa* contains the **Learning Units** tool from which you will only be able to access the study material for this module if you have registered and have access to *myUnisa*. The complete study guide for RSK2601 and this tutorial letter (TL101/3/2018) are also available on-line under Official Study Material. Please also go to “additional resources” and “announcements” for updates on the study material or other important messages. These are available online only.

2.2 Printed materials to support the online module

Because we want you to be successful in this online module, Unisa will also provide you with the **Learning Units or Study Guide** in printed format. This will allow you to read the study materials, even if you are not online. While these printed materials may sometimes appear slightly different from the online study materials, they are exactly the same and have been copied from the online *myUnisa* website.

Remember, the printed support materials are a back-up to everything that is found online, on *myUnisa* under the Learning Units and/or Official Study Material. All additional resources must be downloaded from *myUnisa*. **In other words, you should NOT wait for the printed support materials to arrive to start studying.**

Please consult with the *myStudies@Unisa* publication for more information on the activation of your *myLife* email address as well as obtaining access to the *myUnisa* module site.

3 LECTURER AND TUTORS

3.1 Lecturer

Any enquiries of an academic nature concerning this module, such as an enquiry about a specific chapter in the prescribed book, may (during office hours) be directed to the following e-mail address:

Semester 1: RSK2601-18-S1@unisa.ac.za

Semester 2: RSK2601-18-S2@unisa.ac.za

Lecturers involved in module:

Ms. S Maré

Tel: 012 429 8222

Mrs C de Swardt

Tel: 012 429 4017

To contact the University, you should follow the instructions in the **myStudies@Unisa** brochure. Remember to have your student number available when you contact the University. When you contact the lecturer, please do not forget to always include your **student number** and **module code**. This will help the lecturer to assist you.

Lecturer availability

The lecturer for this module will be available to take phone calls on academic matters and/or to attend to students who may prefer to visit personally for academic engagement. However, the days and times of lecturer's availability will be communicated in the module page on *myUnisa*. These days and times are subject to change from time to time in order to accommodate the lecturer's work schedule and other commitments. The changes on the days and times will be communicated by the lecturer in advance through the announcement option on *myUnisa* as and when this happen. Students are advised to check the module page on *myUnisa* before making phone calls or visiting the lecturer's office for academic enquiries/engagements.

3.2 Tutors

Unisa offers online tutorials (e-tutoring) to students registered for qualifying modules at NQF level 5, 6 and 7 which means first year, second year and third year modules.

Once you have been registered for a **qualifying module**, you will be allocated to a group of students with whom you will be interacting during the tuition period as well as an e-tutor who will be your tutorial facilitator. Thereafter you will receive a sms informing you about your group, the name of your e-tutor and instructions on how to log onto *myUnisa* in order to receive further information on the e-tutoring process.

Online tutorials are conducted by qualified e-tutors who are appointed by Unisa and are offered free of charge. All you need to be able to participate in e-tutoring is a computer with internet connection. If you live close to a Unisa Regional Centre or a Telecenter contracted with Unisa, please feel free to visit any of these to access the internet. e-tutoring takes place on *myUnisa* where you are expected to connect with other students in your allocated group. It is the role of the e-tutor to guide you through your study material during this interaction process. For you to get the most out of online tutoring, you need to participate in the online discussions that the e-tutor will be facilitating.

There are modules which students have been found to repeatedly fail. These modules are allocated face-to-face tutors and tutorials for these modules take place at the Unisa Regional Centers. These tutorials are also offered free of charge, however, it is important for you to register at your nearest Unisa Regional Centre to secure attendance of these classes.

3.3 University

To contact the University follow the instructions in the brochure **Study @ Unisa**. Remember to have your student number available whenever you contact the University.

Whenever you write to a lecturer, please include your student number to enable the lecturer to help you more effectively.

4 MODULE RELATED RESOURCES

4.1 Prescribed books

You have to purchase the following book:

Chapman, R.J. 2011. *Simple tools and techniques for Enterprise Risk Management, 2nd edition*. John Wiley and Sons Ltd (ISBN 9781118742426) (**Paperback**).

4.2 Recommended books

Young, J. 2006. *Operational Risk Management: A practical application of a qualitative approach, 1st edition*. Pretoria: Van Schaik.

or

Young, J. 2014. *Operational Risk Management, 2nd edition*. Pretoria: Van Schaik.

4.3 Joining myUnisa

If you have access to a computer that is linked to the internet, you can quickly access resources and information at the University. The *myUnisa* learning management system is the University's online campus that will help you communicate with your lecturers, with other students and with the administrative departments at Unisa – all through the computer and the internet.

You can start at the main Unisa website at <http://www.unisa.ac.za> and then click on the *myUnisa* orange block. This will take you to the *myUnisa* website. To go to the *myUnisa* website directly, go to <https://my.unisa.ac.za>. Click on the **Claim UNISA Login** on the right-hand side of the screen on the *myUnisa* website. You will then be prompted to give your student number in order to claim your initial *myUnisa* details as well as your *myLife* e-mail login details.

For more information on *myUnisa*, consult the brochure **Study @ Unisa**, which you received with your study material.

4.4 Other resources – printed support material

Because we want you to be successful in this online module, we also provide you with some of the study material in printed format. This will allow you to read the study material even if you are not online.

The printed study material will be sent to you at the beginning of the semester, but you do not have to wait for it before you start studying – you can go online as soon as you have registered and find all your study material there. The material we will send you is an **offline** copy of the formal content for the online module. Having an offline copy will enable you to study for this module **WITHOUT** having to use the internet or to go to an internet café. It will save you time and money, and you will be able to read and re-read the material and start doing the activities.

It is very important that you log in to *myUnisa* regularly. We recommend that you log in at least once a week or every 10 days to do the following:

- **Check for new announcements.** You can also set your *myLife* e-mail account to receive the announcement e-mails on your cellphone.
- **Do the Discussion Forum activities.** When you do the activities for each unit, we want you to share your answers with the other people in your group. You can read the instructions and even prepare your answers offline, but you will need to go online to post your messages.

- **Do other online activities.** For some of the unit activities you will need to go through the **Self-Assessment** tool. Do not skip this activity because it will assist you in preparing for the examination.

We hope that by giving you extra ways to study the material and practise all of the activities, this system will help you succeed in the online module. To get the most out of the online course you **MUST** go online regularly to complete the activities and assignments on time.

Remember, the printed support material is back-up material for everything that is found online on *myUnisa*. It does not contain any extra information. **In other words, do NOT wait for the printed support material to arrive before you start studying.**

4.5 Library services and resource information

For brief information, go to www.unisa.ac.za/brochures/studies

For detailed information, go to <http://www.unisa.ac.za/library>. For research support and services of personal librarians, click on "Research support".

The Library has compiled numerous library guides:

- finding recommended reading in the print collection and e-reserves – <http://libguides.unisa.ac.za/request/undergrad>
- requesting material – <http://libguides.unisa.ac.za/request/request>
- postgraduate information services – <http://libguides.unisa.ac.za/request/postgrad>
- finding, obtaining and using library resources and tools to assist in research – http://libguides.unisa.ac.za/Research_Skills
- contacting the Library/finding us on social media/frequently asked questions – <http://libguides.unisa.ac.za/ask>

4.6 Predatory providers of classes and examination support

Please be aware of the existence of multiple fraudulent and predatory providers of classes and examination guidance to Unisa students. Please note that Unisa do not have agreements with any of these agencies/schools/colleges to provide tuition or support to our students. Unisa also do not provide these predators with studymaterial, guidelines or your contact information.

These providers may not have the necessary expertise to assist you and often charge exorbitant fees. If you receive an invitation from any agency or College, it is best to confirm with your lecturer if the provider is a legitimate Unisa partner.

5 HOW TO STUDY ONLINE

5.1 What does it mean to study fully online?

Studying fully online modules differs completely from studying some of your other modules at Unisa.

- **All your study material and learning activities for online modules are designed to be delivered online on myUnisa.** Although we give you a printed copy to support your studies, the module is designed to be delivered online.
- **All of your assignments must be submitted online.** This means that you do all your activities and submit all your assignments on *myUnisa*. In other words, you may **NOT** post your assignments to Unisa using the South African Post Office.
- **All of the communication between you and the University happens online.** Lecturers will communicate to you by e-mail, and using the **Announcements**, the **Discussion Forums** and the **Questions and Answers** tools. You can also use all of these ways to ask questions and contact your lecturers.

6 ASSESSMENT

6.1 Assessment plan

Assignments are seen as part of the learning material for this module. As you do the assignments, study the reading texts, consult other resources, discuss the work with fellow students or do research, you are actively engaged in learning. Paying attention to the assessment criteria for each assignment will help you to understand what is required of you more clearly.

You may submit assignments either by post or electronically via *myUnisa*. Assignments may not be submitted by fax or e-mail. For detailed information and requirements as far as assignments are concerned, see the brochure ***myStudies@Unisa*** that is available on the Unisa web-site.

Compulsory assignments

There are two compulsory assignments for this module. There are non-negotiable submission deadlines for each of the assignments of this module. The assignments contribute to your year mark. (see below)

Year marks

Your year mark, based on the marks obtained for the two compulsory assignments, contributes 20% towards your final mark, while your examination mark contributes 80%.

The combined weighted average of your year mark and examination mark must be 50% or higher for you to pass the module. However, you must obtain a minimum of 40% in the examination, regardless of your year mark. If you obtain less than 40% in the examination, your year mark will not be taken into account and you will fail.

For example:

Assignment 01 mark = 50% Assignment 02 mark = 90%. These marks each contribute 50% towards the final 20% year mark.

Assignment no	Mark	Weight	Total
Ass. 01	50%	50%	25
Ass. 02	90%	50%	45
			70 x 20% of final = 14

Assume an examination mark of 45%
80% of the examination mark is 36

Final mark = (20% of the average assignment marks) + (80% examination mark)
= 14 + 36
= 50%

The example demonstrates that your year mark can help you to pass the module. To pass the module you need a final mark of at least 50% and to qualify for a supplementary examination you will need a final mark of above 40%.

6.2 General assignment numbers

Assignments are numbered consecutively per module, starting from 01.

6.2.1 Unique assignment numbers

Each assignment has been allocated a unique number in order to identify it in the Unisa assessment plans. Please ensure you always indicate the correct unique number when submitting assignments.

6.2.2 Due dates for assignments

You should preferably submit your assignments at <https://my.unisa.ac.za>. Do not wait until the day just prior to the due date to submit your assignment. Technical problems with the computer servers of myUnisa may prevent you from submitting your assignment at the last minute.

Should you not be able to submit your assignments at myUnisa and need to mail us your assignments in hard copy format, please ensure that your assignments reach the Unisa main campus by the due dates. Requests for extension of due dates for assignments will not be granted. These due dates have been set to allow you sufficient time for the completion of other assignments and your preparation for the examination.

Information about whether Unisa has received your assignment and the mark attained for an assignment can be obtained from <https://my.unisa.ac.za>.

6.3 Submission of assignments

To submit an assignment **via myUnisa:**

- Go to myUnisa at <https://my.unisa.ac.za>
- Log in with your student number and password.
- Select the module.
- Click on assignments in the left-hand menu.
- Click on the assignment number you want to submit.
- Follow the instructions on the screen.

6.4 Assignments

FIRST SEMESTER ASSIGNMENT 01

Due Date	First Semester	16 March 2018
Unique Number	First Semester	833016

Aim: To evaluate your knowledge of some of the fundamental aspects of study units 1 to 4 in your study guide and chapters 1, 2 and 8 to 14 in the prescribed book.

Answer the following questions and submit your assignment at <https://myunisa.ac.za>.

Multiple Choice Questions:

Question 1

A risk management ... is referred to as the overall plan for the integration of risk management into a business.

- 1 strategy
- 2 framework
- 3 policy
- 4 process

Question 2

Which one of the following is a typical trait of the traditional approach to risk management?

- 1 A risk management approach using insurance.
- 2 A comprehensive approach to managing risks.
- 3 Integrating efforts of operations and risk managers.
- 4 Viewing risk management as part of everyone's daily routine.

Question 3

What do boards fundamentally seek from an ERM system?

- 1 The avoidance of unpleasant surprises and losses.
- 2 Integration of risk management, audit and governance.
- 3 Robust procedures.
- 4 Competent risk management teams.

Question 4

In terms of the King III Code of governance, internal audit must follow a ... based approach.

- 1 cash
- 2 compliance
- 3 risk
- 4 governance

Question 5

The ... committee should prepare a report commenting on the financial statements, accounting practices and internal controls of a company.

- 1 risk
- 2 board
- 3 audit
- 4 internal control

Question 6

Which one of the following is **not** a stage in the ERM process?

- 1 Risk identification.
- 2 Risk appetite formulation.
- 3 Risk evaluation.
- 4 Risk analysis.

Question 7

The risk ... stage is used to acquire accurate data and information about the whole business.

- 1 context
- 2 identification
- 3 appetite
- 4 analysis

Question 8

... is a method used by a business to evaluate the effect of uncertainty on a planned activity in a range of situations.

- 1 Scenario analysis
- 2 Simulation
- 3 Monte Carlo simulation
- 4 Latin hypercube sampling

Question 9

Scenario analysis is a useful technique to ...

- 1 analyse financial models where variables may be uncertain.
- 2 evaluate the effect of uncertainty on a planned activity in a range of situations.
- 3 focus on the consequences of the combinations of events.
- 4 examine how sensitive the project outcomes are to changes in the business.

Question 10

The attitude towards risk whereby a decreased return would be accepted for an increase in risk, is termed ...

- 1 averse.
- 2 pursuing.
- 3 neutral.
- 4 seeking.

Question 11

The SWOT analysis is one of the process ... used to identify risks and opportunities in a business.

- 1 inputs
- 2 constraints
- 3 mechanisms
- 4 outputs

Question 12

A(n) ... is a decision making aid to establish whether the business needs to transfer or remove a risk.

- 1 organisational flow chart
- 2 risk response flow chart
- 3 fault tree analysis
- 4 resolution strategy

Question 13

Edgars takes out a fire insurance policy to insure its buildings and office equipment against fire and allied perils. What form of risk response strategy is Edgars using in this instance?

- 1 Risk reduction.
- 2 Risk removal.
- 3 Risk transfer.
- 4 Risk retention.

Question 14

The new King IV corporate governance code decreased the number of principles from 75 to

...

- 1 4.
- 2 10
- 3 17.
- 4 25.

Question 15

The new King IV corporate governance code states that the governing body should be responsible for a tax policy that ...

- a is compliant with the applicable laws.
- b is consistent with responsible corporate citizenship.
- c deals with the appointment of the chief financial officer.
- d considers reputational repercussions.

Choose the correct combination:

- 1 a,b
- 2 c,d
- 3 a,b,c
- 4 All of the above.

Question 16

Which one of the following is an activity incorporated by the triple bottom-line principle according to King II?

- 1 Technological performance
- 2 Political performance
- 3 Legal performance
- 4 Environmental performance

Question 17

A detailed description of the marketing mix and guidelines for the implementation of the organisation's marketing programmes is called a ...

- 1 marketing plan.
- 2 business plan.
- 3 risk management plan.
- 4 business process map.

Question 18

In financial ratio analysis, efficiency ratios ...

- 1 examine the relationship between liquid resources held and creditors due for payment in the near future.
- 2 assess the returns and performance of shares held in a particular business.
- 3 are also known as activity ratios.
- 4 measures the degree of success of management in achieving their primary purpose of creating wealth for their owners.

Question 19

A resolution strategy is used by a business to...

- 1 assess how sensitive project outcomes are to changes in the business.
- 2 illustrate the decision options used to arrive at a risk response category.
- 3 evaluate the effect of uncertainty on a planned activity.
- 4 respond to a particular recurring risk.

Question 20

An organogram is an organisational chart that ...

- 1 is designed to ensure the business's policies are put into practice.
- 2 describes every vital step in a business's processes.
- 3 describes the organisational structure of the business.
- 4 provides a consistent policy thread throughout all business' activities.

(Total marks: 20)

FIRST SEMESTER ASSIGNMENT 02

Due Date	First Semester	29 March 2018
Unique Number	First Semester	897972

Aim: To evaluate your knowledge of the fundamental aspects of study units 5 to 11 in your study guide and chapters 15 to 26 in the prescribed book.

Answer the following questions and submit your assignment at <https://myunisa.ac.za>.

Multiple Choice Questions:

Question 1

Which of the following are examples of communication technology?

- a Intranet
- b Broadband
- c Network systems
- d Telematics

Choose the correct combination:

- 1 a,b
- 2 b,c
- 3 a,b,d
- 4 All of the above.

Question 2

Options, futures and swaps are examples of ...

- 1 derivatives.
- 2 commodities.
- 3 stocks.
- 4 currencies.

Question 3

Which one of the following is seen as a benefit of technology risk management?

- 1 Promotes a reactive approach to managing technology projects.
- 2 Technology advances lowers productivity.
- 3 Improves the quality of information for decision-making.
- 4 Draws attention away from market share loss exposures.

Question 4

Which one of the following scenarios is an example of ethical behavior?

- 1 Harry is the financial manager at ABC Limited. He assists his brother in purchasing shares in ABC Limited when he knows the share price will drop.
- 2 The HR executive obtains insurance business with a specific broker in order to receive a kickback or commission for doing so.
- 3 A senior manager appoints his relative without following the company's recruitment or advertisement processes.
- 4 Mr X and Miss Y have both applied for the "senior lecturer" post. Mr X is a relative of one of the interview panel members. Mr X declares this information to the interview panel prior to being interviewed.

Question 5

Risk ... as part of the Project Risk Management process entails the listing of risks that may affect the project as well as establishing its characteristics.

- 1 evaluation
- 2 analysis
- 3 identification
- 4 monitoring and review

Question 6

Which one of the following scenarios falls within the scope of legal risk?

- a Company X Limited is in the business of purchasing and selling movie DVDs. They decide to purchase a batch of the latest movie DVDs from a foreign supplier at a lower price than what they can obtain from their current supplier. They are aware that the DVDs that they are purchasing are not original copies, but duplicated copies.
- b Mine ABC Limited has started with the production of melting iron, which is locally mined and sold to local business. The melting of the iron is causing the accumulation of heavy smoke in the residential area closest to the mine.
- c Tasty Rice (Pty) Limited is recalling 100 000 boxes of one of its international manufactures. A number of customers have been falling ill after eating the product before it has been recalled.
- d Company ABC Limited has been advertising a product at a very competitive price. When customers however wishes to purchase the product, they are told that the product has been sold out. The customers are then enticed to purchase a substitute product from the same supplier at a higher price. It turns out that this has been the initial strategy of the company to increase their revenue.

Choose the correct combination:

- 1 a,b
- 2 a,b,c
- 3 a,c,d
- 4 All of the above.

Question 7

Which one of the following is a common challenge when implementing project risk management?

- 1 Maintaining a proactive management culture.
- 2 Defining realistic contingencies.
- 3 No definition of roles and responsibilities.
- 4 Improving accountability, decision making and transparency.

Question 8

One of the most valuable assets an organisation can have is its ...

- 1 machinery.
- 2 experience.
- 3 reputation.
- 4 culture.

Question 9

Which of the following is seen as positive indicators, following the implementation of a health and safety risk management system?

- a Active health monitoring programmes.
- b A publicly stated health and safety management system to monitor performance.
- c An increase in staff turnover and recruitment costs due to health and safety management.
- d Display of the health and safety policy in a prominent location.

Choose the correct combination:

- 1 a,b
- 2 a,b,c
- 3 a,b,d
- 4 All of the above

Question 10

Which one of the following is regarded a risk control measure in a health and safety management system?

- 1 Emergency procedures such as recovery plans following a fire.
- 2 Erecting a security wall around a property.
- 3 A disclaimer delivered with the products marketed by a company.
- 4 Having a back-up facility at a distant location.

Question 11

Ethical risk refers to the exposure to an event which may result in criminal prosecution, civil law suit and ...

- 1 tax evasion.
- 2 loss of profit.
- 3 erosion of reputation.
- 4 invasion of privacy.

Question 12

Credit insurance ...

- 1 mitigates action for credit risk to protect a business against bad debt.
- 2 eliminates uncertainty over the likely recovery of outstanding amounts due.
- 3 relates to an uncertainty surrounding the payment of future amounts.
- 4 prevents a customer from defaulting on his or her payment.

Question 13

When implementing operational risk management in a business, external events, which can occur outside of the business, must be taken into consideration. These events may require a business to have response strategies in the form of:

- 1 Project and knowledge management
- 2 Change and knowledge management
- 3 Project management and business contingency plans
- 4 Change management and business contingency plans

Question 14

Political risk refers to the uncertainty that stems from ...

- 1 the exercise of power by government actors and the actions of non-government groups.
- 2 the exercise of power by opposition parties and the actions of isolated groups.
- 3 actions from new small opposition parties that have yet to obtain widespread effective support.
- 4 the exercise of power by imprisoned opponents to the government and the actions of disaffected groups.

Question 15

Macro-economic policy is influenced by government through the ...

- a econometric policy.
- b fiscal policy.
- c competing theories.
- d monetary policy.

Choose the correct combination:

- 1 a,b
- 2 b,c,d
- 3 a,c,d
- 4 All of the above.

(Total marks: 15)

SECOND SEMESTER ASSIGNMENT 01

Due Date	Second Semester	15 August 2018
Unique Number	Second Semester	889743

Aim: To evaluate your knowledge of some of the fundamental aspects of study units 1 to 4 in your study guide and chapters 1, 2 and 8 to 14 in the prescribed book.

Answer the following questions and submit your assignment at <https://myunisa.ac.za>.

Multiple Choice Questions:**Question 1**

Enterprise risk management (ERM) is characterised by a ...

- 1 narrow focus on hazard risks.
- 2 comprehensive, inclusive and proactive approach to risk management.
- 3 functional approach to risk management responsibilities.
- 4 lack of consistency in terms of level of detail and reporting formats.

Question 2

Which of the following are viewed as benefits of ERM?

- a Improved business performance.
- b Better risk reporting.
- c Increased organisational effectiveness.
- d Improved cost certainty.

Choose the correct combination:

- 1 a,d
- 2 b,c
- 3 a,b,c
- 4 All of the above.

Question 3

In terms of risk governance, the board of an enterprise should ...

- a determine the levels of risk tolerance.
- b ensure that risk assessments are performed.
- c oversee integrated reporting and internal audit.
- d ensure continual risk monitoring by management.

Choose the correct combination:

- 1 b,c
- 2 a,b,d
- 3 b,c,d
- 4 All of the above.

Question 4

The purpose of the Companies Act (71 of 2008) is to ...

- a encourage the efficient and responsible management of companies.
- b promote the development of the South African economy by encouraging transparency of corporate governance.
- c promote the development of companies within all sectors of the economy.
- d balance the rights and obligations of shareholders within a company.

Choose the correct combination:

- 1 a,b
- 2 a,b,c
- 3 b,c,d
- 4 All of the above.

Question 5

A business must aspire to be a good corporate citizen by empowering the board of directors to ...

- a implement a code of ethics.
- b maximise the profit of the organisation.
- c report on social, health and transformational policies and practices.
- d understand the importance of a relationship between the board and the community.

Choose the correct combination:

- 1 a,c
- 2 a,c,d
- 3 b,c,d
- 4 All of the above.

Question 6

During the context stage of a risk study, the ERM team for Mrs. Price and Home elects to examine the financial ratios of the business to understand its financial health. This will enable them to ...

- 1 provide a quick and simple way to examine the financial position and performance of Mrs. Price and Home.
- 2 assess whether Mrs. Price and Home's business records are updated annually.
- 3 open the dialogue with the operations department and internal auditors in Mrs. Price and Home.
- 4 recommend ERM practices for this stage of the ERM process for Mrs. Price and Home.

Question 7

A PEST analysis is a useful tool for a business to determine ...

- 1 its strengths and weaknesses in the micro environment.
- 2 the external environmental factors, which may influence the business's performance.
- 3 the main risks linked to a certain project of the business.
- 4 the internal environmental factors which may influence the business's performance.

Question 8

Which one of the following statements regarding risk identification is correct?

- 1 The business will be able to identify the key risks and risk events associated with the business; these risks constantly change.
- 2 The business will be able to identify the key risks associated with the business; these risks constantly stay the same.
- 3 The business will be able to identify the risks and risk events associated with the business; these risks will constantly stay the same.
- 4 The business will not be able to identify the key risks and risk events associated with the business; these risks constantly change.

Question 9

Which of the following **process mechanisms** are used in the monitoring and review stage?

- a Meeting agendas.
- b Simulation.
- c Proformas.
- d Scenario analysis.

Choose the correct combination:

- 1 a,b
- 2 a,c
- 3 a,b,c
- 4 All of the above.

Question 10

A list generated during the risk identification stage, which categorises each risk into a type or area, is known as a risk ...

- 1 checklist.
- 2 prompt list.
- 3 taxonomy.
- 4 index.

Question 11

... is the average annual return expressed as a percentage of initial cost of the project.

- 1 Net Present Value
- 2 Internal Rate of Return
- 3 Payback Period
- 4 Average Rate of Return

Question 12

Which one of the following is **not** a recognised context stage (first stage) tool that can be used to obtain information on the business?

- 1 PEST analysis
- 2 Sensitivity analysis
- 3 SWOT analysis
- 4 Financial analysis

Question 13

During the risk identification (stage 2) in the ERM process, which of the following **process activities** need to be conducted?

- a Facilitation.
- b Risk and opportunity identification.
- c Clarifying the business objectives.
- d Performing a GAP analysis.

Choose the correct combination:

- 1 a,b
- 2 a,b,c
- 3 a,b,d
- 4 All of the above.

Question 14

Which of the following are benefits of effective risk and opportunity management?

- a Sustainable shareholder value.
- b Higher economic returns.
- c Increased stakeholder confidence.
- d Alignment of risk appetite and strategy.

Choose the correct combination:

- 1 a,b
- 2 a,b,c
- 3 a,b,d
- 4 All of the above.

Question 15

In PEST analysis, businesses are continually reacting to changes in the environment in which they operate. Businesses that try to anticipate change in their external environment by monitoring trends through market research are called ... businesses.

- 1 proactive
- 2 active
- 3 inactive
- 4 reactive

Use the following information to answer Questions 16 and 17.

Cola Company's total current assets, total current liabilities, and inventory for each of the past 4 years are as follows:

Item	2014	2015	2016	2017
Total Current Assets	R 17 950	R 22 900	R 24 500	R 29 000
Total Current Liabilities	R10 000	R 14 600	R 15 600	R 19 400
Inventory	R 7 000	R 7 900	R 9 900	R 10 200

Question 16

The firm's current ratio for the year ended 2016 is ...

- 1 0.93.
- 2 0.96.
- 3 1.04.
- 4 1.57.

Question 17

The firm's quick ratio for the year ended 2017 is...

- 1 0.97.
- 2 1.02.
- 3 1.90.
- 4 1.49.

Question 18

Effective corporate governance ...

- 1 promotes the inefficient use of resources.
- 2 hinders overall performance.
- 3 ensures adherence to legislation.
- 4 attracts higher cost of capital.

Question 19

The new King IV code of corporate governance deals with which of the following types of committees:

- a Committee responsible for risk governance.
- b Social committee.
- c Ethics committee.
- d Committee responsible for the risk management process.

Choose the correct combination:

- 1 a,b
- 2 a,b,c
- 3 a,b,d
- 4 All of the above.

Question 20

The new King IV code on corporate governance includes which of the following sector supplements:

- a Municipalities
- b Non-profit organisation's
- c Retirement funds
- d State-owned entities

Choose the correct combination:

- 1 a,d
- 2 a,b,d
- 3 a,b,c
- 4 All of the above.

(Total marks: 20)

SECOND SEMESTER ASSIGNMENT 02

Due Date	First Semester	28 August 2018
Unique Number	First Semester	837384

Aim: To evaluate your knowledge of the fundamental aspects of study units 5 to 11 in your study guide and chapters 15 to 26 in the prescribed book.

Answer the following questions and submit your assignment at <https://myunisa.ac.za>.

Multiple Choice Questions:

Question 1

Differentiate between liquidity risk and credit risk.

- 1 Liquidity risk is the exposure to adverse events and credit risk is the uncertainty of the event of default.
- 2 Liquidity risk is the risk that the business will be unable to obtain funds to meet its obligations and credit risk is the financial loss suffered due to the default of a borrower under a contract.
- 3 Liquidity risk is the risk that the business will not be able to meet its obligations and credit risk is the expected cash flow that will be affected by fluctuations in exchange rates.
- 4 Liquidity risk is the certainty that the business will meet its obligations and credit risk is the financial gain if creditors meet their obligations.

Question 2

Which one of the following is **not** considered a people risk?

- 1 High absenteeism rate.
- 2 High staff turnover.
- 3 High talent retention.
- 4 High accident rates.

Question 3

A health and safety management system comprises of ...

- 1 risk control systems, risk evaluation and workplace precautions.
- 2 management arrangements, risk mitigation systems and workplace precautions.
- 3 management arrangements, risk control systems and workplace precautions.
- 4 risk identification, risk control systems and workplace precautions.

Question 4

A process by which criminals hide or disguise the proceeds of their crime so that they appear to have originated from a legitimate source, is an example of ...

- 1 false accounting.
- 2 money laundering.
- 3 tax evasion.
- 4 insider trading.

Question 5

Operational risk ...

- a is the exposure of an enterprise to losses resulting from people, processes, systems and external events.
- b is present in all organisations.
- c does not affect a firm's solvency.
- d can affect the fair treatment of a firm's clients.

Choose the correct combination:

- 1 c,d
- 2 a,b,c
- 3 a,b,d
- 4 All of the above.

Question 6

... is a recognisable method to improve human reliability in the work place and serves as a mechanism for setting goals, assessing performance against those goals and instigating corrective action when required.

- 1 Training
- 2 Job satisfaction
- 3 Recruitment
- 4 An appraisal scheme

Question 7

... risk deals with basic macro-economic theory, including fiscal and monetary policies.

- 1 Economic
- 2 Market
- 3 Financial
- 4 Political

Question 8

Market risk refers to the ...

- 1 exposure to losses arising from a change in the cost of raw materials.
- 2 number of competitors moving into and out of the market the business is operating in.
- 3 movement of the company share price over time.
- 4 exposure to a potential loss arising from diminishing sales due to changes in market conditions outside the control of the business.

Question 9

Information technology tools include ...

- 1 operational research.
- 2 broadband.
- 3 telematics.
- 4 network systems.

Question 10

The ultimate responsibility for project risk management must rest with the project ...

- 1 director.
- 2 team.
- 3 coordinator.
- 4 manager.

Question 11

The risk ... stage as part of the project risk management process, entails the listing of risks that may affect the project.

- 1 monitoring and review
- 2 identification
- 3 evaluation
- 4 analysis

Question 12

An ethics manual has four focus areas; one of these areas is the value-added approach, which ...

- 1 focuses primarily on preventing, detecting and punishing violations of law.
- 2 hopes to maintain or improve an organisation's public image and relationships with external stakeholders.
- 3 protect owners and senior management from blame for ethics failures or legal problems.
- 4 defines the organisational values and encourage employee commitment to ethical aspirations.

Question 13

The uncertainty linked to the recovery of outstanding amounts due is known as ... risk.

- 1 exposure
- 2 recovery
- 3 credit
- 4 default

Question 14

Control technology consists of computer-based production control systems. The acronym CAM stands for:

- 1 Computer-Aligning Monitor
- 2 Computer-Aided Manufacture
- 3 Communications-Aided Manufacture
- 4 Central-Aided Monitor

Question 15

Which one of the following methods is used to calculate Value-at-risk?

- 1 Economic simulations
- 2 Pest Analysis
- 3 Monte Carlo
- 4 Economic value added

(Total marks: 15)

FIRST AND SECOND SEMESTER SELF ASSESSMENT**ASSIGNMENT 03 – Self-Assessment**

Please note that this is a self-assessment assignment and **must not be submitted for marking**.

Please note that essay questions comprise a substantial part of the examination paper. Please answer the questions under a simulated examination condition.

Aim: To evaluate your knowledge and understanding of the concept of corporate governance, enterprise risk management process, financial and environmental risk management.

Essay questions:

The following represents a list of the risk factors identified by the Coca-Cola Company, which could adversely affect their business, financial performance or the results of operations in future periods. Read the list and answer **Question 1**.

Risk Factors

- Obesity and other health-related concerns may reduce demand for some of our products.
- Water scarcity and poor quality could negatively impact the Coca-Cola system's costs and capacity.
- If we are unable to attract or retain a highly skilled and diverse workforce, our business could be negatively affected.
- If we do not address evolving consumer preferences, our business could suffer.
- Increased competition and capabilities in the marketplace could hurt our business.
- Product safety and quality concerns could negatively affect our business.
- Increases in income tax rates, changes in income tax laws or unfavorable resolution of tax matters could have a material adverse impact on our financial results.
- Failure to adequately protect, or disputes relating to, trademarks, formulae and other intellectual property rights could harm our business.
- Public debate and concern about perceived negative health consequences of certain ingredients, such as non-nutritive sweeteners and biotechnology-derived substances, and of other substances present in our beverage products or packaging materials, may reduce demand for our beverage products.
- If we are not successful in our innovation activities, our financial results may be negatively affected.
- Fluctuations in foreign currency exchange rates could have a material adverse effect on our financial results.
- If we are unable to protect our information systems against service interruption, misappropriation of data or breaches of security, our operations could be disrupted and our reputation may be damaged.
- If interest rates increase, our net income could be negatively affected.
- If we are unable to renew collective bargaining agreements on satisfactory terms, or we or our bottling partners experience strikes, work stoppages or labor unrest, our business could suffer.
- If negative publicity, even if unwarranted, related to product safety or quality, human and workplace rights, obesity or other issues damages our brand image and corporate reputation, our business may suffer.
- Global or regional catastrophic events, including terrorist acts, cyber-strikes and radiological attacks, could impact our operations and financial results.
- Unfavorable economic and political conditions in international markets could hurt our business.

- Litigation or legal proceedings could expose us to significant liabilities and damage our reputation.
- Adverse weather conditions could reduce the demand for our products.
- Increase in the cost, disruption of supply or shortage of energy or fuels could affect our profitability.

Source: <http://www.coca-colacompany.com/content/dam/journey/us/en/private/fileassets/pdf/2017/2016-AR-10-K.pdf>

Question 1

Indicate whether the risk factors identified by Coca-Cola are internal or external risks. Also, identify the various types of risks. (20)

Question 2

Mr. Nkosi has just been appointed as the new CEO of CALL4U Ltd. He approaches you, in your capacity as the risk manager, to gain a better understanding of the implementation of corporate governance within the company.

Compile a report, addressed to Mr. Nkosi, in which you define corporate governance and highlight the impact of corporate governance on a business. (10)

Question 3

3.1 Identify and discuss the three (3) **process activities** that need to be performed during the risk monitoring and review stage in order to ensure that it is managed proactively. (6)

3.2 Briefly explain the following three (3) **process mechanisms** in the risk evaluation stage:

- Probability trees
 - Expected monetary value (EMV)
 - Decision trees
- (6)

Question 4

Identify and define the three (3) **main** risk components of credit risk. (3)

Question 5

Define the term “environmental sustainability” and identify four (4) environmental risks for a business. (5)

(Total marks: 50)

7 EXAMINATION

Examination admission will be granted to all students who submit Assignment 01 or 02 before the due date. Students who do not submit an assignment will NOT be allowed to write the examination.

The provisional examination dates have been published at <https://my.unisa.ac.za>.

The examination for RSK2601 will be a 2-hour paper for 70 marks. Details of the composition of the examination will be provided in TL 201/202, which will be available on-line after the due dates of the assignments. A student must attain a mark of at least 40 per cent in order to qualify for admission to the supplementary examination. Details about the procedure and cost for the re-marking of examination scripts may be found on myUnisa (<https://my.unisa.ac.za>).

8 CONCLUSION

Do not hesitate to contact me by e-mail if you are experiencing problems with the content of this tutorial letter or with any academic aspect of the module.

I wish you a fascinating and satisfying journey through the learning material and trust that you will complete the module successfully.

Enjoy the journey!

Your lecturer

Ms. S Maré

DEPARTMENT OF FINANCE, RISK MANAGEMENT AND BANKING

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