

FINAL %	
---------	--

RSK2601 (471901)

OCTOBER/NOVEMBER 2016

ENTERPRISE RISK MANAGEMENT

STUDENT NUMBER									

IDENTITY NUMBER											

FOR USE BY EXAMINATION INVIGILATOR

Question No	Marks					
	Examiners					
	1	2	3	4	5	6
Section A (MCQs)						
Section B						
1						
2						
3						
4						
Sub Total						
Total						

Enterprise risk management
Subject

01
Number of paper

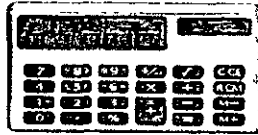
Date of examination

Examination centre

WARNING

- 1 A candidate who without authorisation takes into the examination venue any book, document or object which could assist him in the examination, and does not hand over such material to the invigilator before the official commencement of the examination, will be guilty of infringing the University's examination regulations and will be liable to punishment as determined by Council.
- 2 Rough work may be done only on the examination question paper and must be labelled as such.
- 3 No notes may be made on any part of the body, such as the hands, or on any garment.
- 4 This page/paper is the property of the University and under no circumstances may the candidate retain it or take it out of the examination venue.

NB PLEASE COMPLETE THE ATTENDANCE REGISTER ON THE BACK PAGE, TEAR OFF AND HAND TO THE INVIGILATOR

**RSK2601**

(471901) October/November 2016

ENTERPRISE RISK MANAGEMENT

Duration 2 Hours

70 Marks

EXAMINERS
FIRST
SECONDMISS S MARE
PROF AT MUTEZO

Use of a non-programmable pocket calculator is permissible**Closed book examination****This examination question paper remains the property of the University of South Africa and may not be removed from the examination venue**

The examination document consists of **18 pages** including this page and 2 pages for rough work

The paper comprises of **TWO SECTIONS**

Section A consists of 40 **Multiple-Choice** questions of 1 mark each. The answers to these questions must be indicated on the **mark-reading sheet** provided. Students must write their student number and the unique number **471901** on the mark reading sheet.

Section B consists of **Essay Type** questions. Each question must be answered in the designated area below the question

[TURN OVER]

SECTION A: MULTIPLE-CHOICE QUESTIONS**[40 Marks]**

The **CORRECT** answers to these questions must be indicated on the mark-reading sheet provided. Write your student number and the **unique number 471901** on the mark reading sheet

Question 1

ABC Limited has been subject to an internal audit. The internal audit report indicated the staff in the debtors department is not properly trained with regards to completing individual debtor reconciliations. As a result of this, the reconciliations have incorrect reconciling items. The fact that the staff are not properly trained is an example of a(an)

- 1 risk
- 2 risk source
- 3 opportunity
- 4 internal control

Question 2

The purpose of an enterprise risk management (ERM) policy is to

- 1 assist an organisation in integrating risk management into its management processes
- 2 communicate externally that risk management is being practiced
- 3 address specific responsibilities of the board and risk committee
- 4 systematically apply management processes and practices

Question 3

The main objective of ERM is to ensure that businesses

- a eliminate existing risks altogether
- b understand that risk is inescapable in a business activity
- c understand that taking risk and managing it is the essence of business growth
- d do not take risks at all

Choose the correct combination

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

Question 4

Indicate the correct statement

- 1 Risk is the deviation of the expected from the actual result
- 2 Risk implies the presence of uncertainty
- 3 Uncertainty arises from a person's perfect state of knowledge about future events
- 4 The probability of an event refers to its short-term frequency of occurrence

[TURN OVER]

Question 5

With reference to the concept of **risk and opportunity** Which of the following statements are correct?

- 1 As businesses continuously explore and develop opportunities to sustain earnings it is not necessary to take certain risks to maximise business opportunities
- 2 Traditional risk management aims to provide a coherent framework to deal with all risks and opportunities that result from operating in the ever-changing economic environment
- 3 The effective management of risks and opportunities assists a business to achieve success despite difficult economic times
- 4 Risk averse refers to the tendency to engage in behaviours that have the potential to be harmful or dangerous

Question 6

What are the key obstacles in an organisation to make risk management integral with the overall business strategy?

- a Competition with other priorities
- b Fear of creating a risk-averse and bureaucratic culture
- c Directors consider risk management a task for line management and not the board
- d The board does not understand or appreciate the principles and benefits of ERM

Choose the correct combination:

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

Question 7

Which one of the following is **not** an example of risk taking behaviour?

- 1 Themba loves driving his Maserati at high speed, he enjoys the thrill that comes with driving fast
- 2 The oil prices have been falling significantly over the past few months, as a result Mr Davies, an investor, decided to avoid buying a stake in the oil company
- 3 Siyaqhuba General Dealers is in the retail business, the finance manager decides to take out a loan from ABSA bank to open a new branch in Soweto with the hope of growing the business
- 4 In their quest to win a larger market share, Samsung has decided to invest more funds towards technological advancement

Question 8

Which one of the following statements relates to the concept of corporate governance?

- 1 Controls the internal and external actions of managers, employees and outside business stakeholders
- 2 Universal and prescriptive in nature and applicable to only a few companies
- 3 Assists enterprises to attract higher-cost capital
- 4 Enhances the dominating of business decisions and objectives by one individual

[TURN OVER]

OCTOBER/NOVEMBER 2016

Question 9

For an enterprise to achieve and aspire to be a good corporate citizen, it has to empower the board of directors to

- a report annually on social, transformation, safety, ethics, health and environmental management policies and practices
- b have a silo approach to risk management
- c report on their HIV/Aids strategic plans and policies
- d disclose the company's formal procurement policies

Choose the correct combination:

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

Question 10

ABC Limited is a company listed on the JSE. A majority of the audit committee members that have been appointed are independent non-executive directors. The chairman of the board and the chief executive officer are also members of the audit committee. There are six members in total. Three meetings were held by the audit committee during the year. The audit committee also recommends to the board which external audit provider they feel should be appointed to conduct the annual audit.

Based on the scenario above, which of the following statements are **insufficiencies** in the audit committee's structure based on King III?

- a A majority of the audit committee members appointed are independent non-executive directors
- b The chairman of the board and the chief executive officer are both members of the audit committee
- c There are six members in total
- d The audit committee recommends to the board which external audit provider they feel should be appointed to conduct the annual audit

Choose the correct combination:

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

Question 11

Which of the following is an activity taken into account by the triple bottom-line principle?

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

[TURN OVER]

Question 12

Which of the following are the benefits of corporate governance?

- a Improves confidence of domestic and international investors and therefore attracting capital at lower cost
- b Corporate government ensures efficient use of company resources
- c Good corporate governance is essential to ensure adherence to legislation as well as corporate social responsibility
- d Effective corporate governance may improve overall performance

Choose the correct combination:

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

Question 13

In terms of the King III Code of governance principles

- 1 risk management is separable from the company's strategic business processes
- 2 risk management should be performed on an ongoing basis
- 3 internal audit should be integrated with the risk management process
- 4 compliance should not form part of the risk management process

Question 14

The ERM process has several stages, the first stage is establishing context, which is concerned with the understanding of the

- a specific business activity, process or project forming the subject of risk management
- b macro and micro environment in which the business operates
- c background of the business as a whole in general terms
- d identified risk events (upside and downside)

Choose the correct combination:

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

Question 15

Which one of the following statements is correct with regards to process mechanisms in Stage 1 of the ERM process?

- 1 Financial ratios are used to look at the financial position and performance of a business
- 2 The risk management process diagnostic can be regulated or constrained by the culture of business risk
- 3 The financial performance of a business must be reviewed by looking at the PEST analysis
- 4 The SWOT analysis can be used to look at the external environmental influences on business performance and market growth or decline

[TURN OVER]

Question 16

Scenario analysis is used to analyse the

- 1 events and trends that will determine an organisations future
- 2 profitability of a business
- 3 strengths and weaknesses of a business
- 4 micro environment over which a business has control over

Question 17

Risk identification is a crucial step in the ERM process. Indicate which of the following statements are **correct** in relation to risk identification?

- a A risk checklist is used to list all the risks that were identified on previous projects within the business
- b A structured method of risk identification must be implemented so that consistent risk management can take place
- c Business risk is static and a discrete phase in the process
- d It is important to be able to identify the risks in the business and understand how they fit into the overall business context

Choose the correct combination:

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

Question 18

Which stage in the ERM process requires a business to design a specific action plan and produce strategic responses to address the risks and opportunities identified in the business to secure business objectives?

- 1 Risk analysis
- 2 Risk treatment
- 3 Communication and consultation
- 4 Monitoring and review

Question 19

In the monitoring and review stage, control activities must adhere to which of the following?

- a Measurements have to be congruent with the events measured
- b Controls have to be a principle of economy
- c Controls must be operational
- d Controls have to be timely

Choose the correct combination:

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

Question 20

The _____ is the number of years required to recover an initial investment

- 1 Payback Period (PP)
- 2 Average Rate of Return (ARR)
- 3 Internal Rate of Return (IRR)
- 4 Net Present Value (NPV)

Question 21

The risk analysis stage provides information on the likelihood of risks and opportunities occurring and the impact of them to aid in the decision making process. Which of the following activities need to be conducted?

- a Capital asset pricing model (CAPM) analysis
- b Clarifying the business objectives
- c Causal analysis
- d Decision analysis and influence diagrams

Choose the correct combination:

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

Question 22

MTN 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 MTN using in this instance?

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

Question 23

The _____ is an average annual return expressed as a percentage of initial cost of the project

- 1 internal rate of return
- 2 average rate of return
- 3 payback period
- 4 net present value

Question 24

In relation to CAPM analysis, market risk is measured by its beta. A share with a beta of 1.5 tends to move up or down by the same percentage point as the equity market.

Indicate if the above statement is true or false:

- 1 True
- 2 False

Question 25

The main reason for monitoring risks is to establish whether

- 1 a risk database is being maintained
- 2 risk response actions are effectively implemented
- 3 risk meetings are happening regularly
- 4 key risk documents are on display in key locations

Question 26

A company requires all managers at various business units to make use of a standard template when identifying risks and reporting these risks to the Head Office. This process activity is an example of

- 1 internal communication
- 2 external communication
- 3 controlling information
- 4 executing action plans

Question 27

is a method used by a business to evaluate the effect of uncertainty on a planned activity in a range of situations and uses random numbers to sample from a probability distribution

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

Question 28

Key Performance Indicators (KPIs)

- 1 are useful to directors to assess whether their annual bonuses will be awarded
- 2 help understand the market as a whole
- 3 assist with business planning
- 4 are used to measure a business' health

Question 29

A risk response flow chart is used

- 1 to illustrate the decision options used to arrive at a risk response category
- 2 to reduce the likelihood of an occurrence through risk spreading
- 3 as a technique by a business to respond to a particular recurring risk
- 4 as a technique by a business to reduce risk and the impact of risk

Question 30

Which one of the following statements is **incorrect** with regards to credit risk?

- 1 Credit risk is the financial loss suffered due to the default of a borrower or counterparty under a contract
- 2 Counterparty risk relates to the certainty surrounding the payment of future amounts
- 3 Default risk is the probability of the event of default
- 4 Recovery risk relates to the uncertainty over the likely recovery

[TURN OVER]

OCTOBER/NOVEMBER 2016

Question 31

risk is considered to be embraced within operational risk

- 1 Liquidity
- 2 Currency
- 3 Funding
- 4 Reputational

Question 32

Employees working in Company A have access to the Company's Code of Conduct, which is not available to external parties. The Code of Conduct is posted on the Company's

- 1 information assets
- 2 intranet
- 3 management information system
- 4 E-commerce

Question 33

Company XYZ is in the process of implementing Project A. They need to identify the legislation that the project needs to adhere to. This identification of legislation relates to the stage of the PRM process

- 1 establish the context
- 2 risk identification
- 3 monitoring and review
- 4 risk analysis

Question 34

If an individual other than an employee gains unauthorised access to a company computer by way of a public telecommunications system, that individual is guilty of

- 1 using an unauthorised public telecommunications system
- 2 unauthorised access with the intent to commit offences
- 3 software malpractice
- 4 internet misuse

Question 35

A breach of ethics can lead to

- 1 favourable media coverage
- 2 increased share prices
- 3 fines
- 4 increased profitability

Question 36

A health and safety management system comprises of

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

[TURN OVER]

Question 37

Which one of the following examples is seen as a social risk to a business?

- 1 The technological changes in a market
- 2 Inflation and increasing house prices
- 3 The shrinking percentage of the working population that is of working age
- 4 Loss of reputation because of a prosecution or a dispute with a customer

Question 38

The _____ policy is a mechanism which the reserve bank uses to manipulate the supply of money, the supply of credit, interest rates and exchange rates

- 1 monetary
- 2 trade policy
- 3 fiscal
- 4 balance of payments

Question 39

The shooting of striking mine workers by the South African Police Service in August 2012 in the Marikana area is an example of _____ risk

- 1 micro political
- 2 macro political
- 3 health and safety
- 4 environmental

Question 40

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

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

END OF SECTION A

[TURN OVER]

DO YOUR ROUGH WORK HERE – NO ROUGH WORK WILL BE MARKED.

DO YOUR ROUGH WORK HERE – NO ROUGH WORK WILL BE MARKED.

A large, empty rectangular box with a thin black border, occupying most of the page below the header. It is intended for students to perform rough work, as indicated by the text above it.

PART 1 (GENERAL/ALGEMEEN) DEEL 1

STUDY UNIT e.g. PSY100 X
STUDIE EENHEID by PSY100-X

1

INITIALS AND SURNAME
VOORLETTERS EN VAN

DATE OF EXAMINATION
DATUM VAN EKSAMEN

EXAMINATION CENTRE (E.G. PRETORIA)
EKSAMENSENTRUM (BY PRETORIA)

PAPER NUMBER
VRAESTELNOMMER

STUDENT NUMBER
STUDENTENOMMER

6

7

UNIQUE PAPER NO.
UNIEKE VRAESTEL NR.

8

9

For use by examination invigilator
Vir gebruik deur eksamenopsiener

IMPORTANT

1. USE ONLY AN HB PENCIL TO COMPLETE THIS SHEET
2. MARK LIKE THIS
3. CHECK THAT YOUR INITIALS AND SURNAME HAS BEEN FILLED IN CORRECTLY
4. ENTER YOUR STUDENT NUMBER FROM LEFT TO RIGHT
5. CHECK THAT YOUR STUDENT NUMBER HAS BEEN FILLED IN CORRECTLY
6. CHECK THAT THE UNIQUE NUMBER HAS BEEN FILLED IN CORRECTLY
7. CHECK THAT ONLY ONE ANSWER PER QUESTION HAS BEEN MARKED
8. DO NOT FOLD

BELANGRIK

1. GEBUIK SLEGS N HB POTLOOD OM HIERDIE BLAD TE VOLTOOI
2. MERK AS VOLG
3. KONTROLEER DAT U VOORLETTERS EN VAN REG INGEVUL IS
4. VUL U STUDENTENOMMER VAN LINKS NA REGS IN
5. KONTROLEER DAT U DIF KORRCKTE STUDENTE NOMMER VERSTREK HET
6. KONTROLEER DAT DIE UNIEKE NOMMER REG INGEVUL IS
7. MAAK SEKER DAT NET EEN ALTERNATIEF PER VRAAG GEMERK IS
8. MOENIE VOU NIE

PART 2 (ANSWERS/ANTWOORDE) DEEL 2

1	(1) (2) (3) (4) (5)	36	(1) (2) (3) (4) (5)	71	(1) (2) (3) (4) (5)	106	(1) (2) (3) (4) (5)
2	(1) (2) (3) (4) (5)	37	(1) (2) (3) (4) (5)	72	(1) (2) (3) (4) (5)	107	(1) (2) (3) (4) (5)
3	(1) (2) (3) (4) (5)	38	(1) (2) (3) (4) (5)	73	(1) (2) (3) (4) (5)	108	(1) (2) (3) (4) (5)
4	(1) (2) (3) (4) (5)	39	(1) (2) (3) (4) (5)	74	(1) (2) (3) (4) (5)	109	(1) (2) (3) (4) (5)
5	(1) (2) (3) (4) (5)	40	(1) (2) (3) (4) (5)	75	(1) (2) (3) (4) (5)	110	(1) (2) (3) (4) (5)
6	(1) (2) (3) (4) (5)	41	(1) (2) (3) (4) (5)	76	(1) (2) (3) (4) (5)	111	(1) (2) (3) (4) (5)
7	(1) (2) (3) (4) (5)	42	(1) (2) (3) (4) (5)	77	(1) (2) (3) (4) (5)	112	(1) (2) (3) (4) (5)
8	(1) (2) (3) (4) (5)	43	(1) (2) (3) (4) (5)	78	(1) (2) (3) (4) (5)	113	(1) (2) (3) (4) (5)
9	(1) (2) (3) (4) (5)	44	(1) (2) (3) (4) (5)	79	(1) (2) (3) (4) (5)	114	(1) (2) (3) (4) (5)
10	(1) (2) (3) (4) (5)	45	(1) (2) (3) (4) (5)	80	(1) (2) (3) (4) (5)	115	(1) (2) (3) (4) (5)
11	(1) (2) (3) (4) (5)	46	(1) (2) (3) (4) (5)	81	(1) (2) (3) (4) (5)	116	(1) (2) (3) (4) (5)
12	(1) (2) (3) (4) (5)	47	(1) (2) (3) (4) (5)	82	(1) (2) (3) (4) (5)	117	(1) (2) (3) (4) (5)
13	(1) (2) (3) (4) (5)	48	(1) (2) (3) (4) (5)	83	(1) (2) (3) (4) (5)	118	(1) (2) (3) (4) (5)
14	(1) (2) (3) (4) (5)	49	(1) (2) (3) (4) (5)	84	(1) (2) (3) (4) (5)	119	(1) (2) (3) (4) (5)
15	(1) (2) (3) (4) (5)	50	(1) (2) (3) (4) (5)	85	(1) (2) (3) (4) (5)	120	(1) (2) (3) (4) (5)
16	(1) (2) (3) (4) (5)	51	(1) (2) (3) (4) (5)	86	(1) (2) (3) (4) (5)	121	(1) (2) (3) (4) (5)
17	(1) (2) (3) (4) (5)	52	(1) (2) (3) (4) (5)	87	(1) (2) (3) (4) (5)	122	(1) (2) (3) (4) (5)
18	(1) (2) (3) (4) (5)	53	(1) (2) (3) (4) (5)	88	(1) (2) (3) (4) (5)	123	(1) (2) (3) (4) (5)
19	(1) (2) (3) (4) (5)	54	(1) (2) (3) (4) (5)	89	(1) (2) (3) (4) (5)	124	(1) (2) (3) (4) (5)
20	(1) (2) (3) (4) (5)	55	(1) (2) (3) (4) (5)	90	(1) (2) (3) (4) (5)	125	(1) (2) (3) (4) (5)
21	(1) (2) (3) (4) (5)	56	(1) (2) (3) (4) (5)	91	(1) (2) (3) (4) (5)	126	(1) (2) (3) (4) (5)
22	(1) (2) (3) (4) (5)	57	(1) (2) (3) (4) (5)	92	(1) (2) (3) (4) (5)	127	(1) (2) (3) (4) (5)
23	(1) (2) (3) (4) (5)	58	(1) (2) (3) (4) (5)	93	(1) (2) (3) (4) (5)	128	(1) (2) (3) (4) (5)
24	(1) (2) (3) (4) (5)	59	(1) (2) (3) (4) (5)	94	(1) (2) (3) (4) (5)	129	(1) (2) (3) (4) (5)
25	(1) (2) (3) (4) (5)	60	(1) (2) (3) (4) (5)	95	(1) (2) (3) (4) (5)	130	(1) (2) (3) (4) (5)
26	(1) (2) (3) (4) (5)	61	(1) (2) (3) (4) (5)	96	(1) (2) (3) (4) (5)	131	(1) (2) (3) (4) (5)
27	(1) (2) (3) (4) (5)	62	(1) (2) (3) (4) (5)	97	(1) (2) (3) (4) (5)	132	(1) (2) (3) (4) (5)
28	(1) (2) (3) (4) (5)	63	(1) (2) (3) (4) (5)	98	(1) (2) (3) (4) (5)	133	(1) (2) (3) (4) (5)
29	(1) (2) (3) (4) (5)	64	(1) (2) (3) (4) (5)	99	(1) (2) (3) (4) (5)	134	(1) (2) (3) (4) (5)
30	(1) (2) (3) (4) (5)	65	(1) (2) (3) (4) (5)	100	(1) (2) (3) (4) (5)	135	(1) (2) (3) (4) (5)
31	(1) (2) (3) (4) (5)	66	(1) (2) (3) (4) (5)	101	(1) (2) (3) (4) (5)	136	(1) (2) (3) (4) (5)
32	(1) (2) (3) (4) (5)	67	(1) (2) (3) (4) (5)	102	(1) (2) (3) (4) (5)	137	(1) (2) (3) (4) (5)
33	(1) (2) (3) (4) (5)	68	(1) (2) (3) (4) (5)	103	(1) (2) (3) (4) (5)	138	(1) (2) (3) (4) (5)
34	(1) (2) (3) (4) (5)	69	(1) (2) (3) (4) (5)	104	(1) (2) (3) (4) (5)	139	(1) (2) (3) (4) (5)
35	(1) (2) (3) (4) (5)	70	(1) (2) (3) (4) (5)	105	(1) (2) (3) (4) (5)	140	(1) (2) (3) (4) (5)

Specimen only