

SELF ASSESSMENT QUESTIONS
RSK 2601
ESSAY QUESTIONS AND CALCULATIONS

Question 1

(10 marks)

Assume the following hypothetical distribution of possible losses due to a fire at two separate premises of an organisation.

PREMISES A

OUTCOME	AMOUNT OF LOSS	PROBABILITY OF OUTCOME
A	R10 000	0,8
B	R15 000	0,2

PREMISES B

OUTCOME	AMOUNT OF LOSS	PROBABILITY OF OUTCOME
A	R10 000	0,50
B	R15 000	0,50

Evaluate the riskiness of the two premises. Show all calculations.

Question 2

(10 marks)

Risk evaluation is probably one of the most difficult steps of a risk management process. It is therefore, important to use the correct methodology. Briefly provide your understanding of the following concepts relating to risk evaluation:

- Maximum possible loss (3)
- Normal loss expectancy (3)
- "As if" analysis (4)

Question 3

(10 marks)

3.1 You are the risk manager for South African Airways (SAA). You expect the price of oil to increase over the next year and decide to make use of futures contracts to hedge this risk. **Graphically illustrate** the concept of a **perfect hedge** for purposes of managing the risk of an increase in the price of oil. (5)

3.2 Explain how organisational charts may be used by a risk manager to identify risks. (5)