UNISA EXAM MEMO RSK2601 OCTOBERNOVEMBER 2014

SECTION A (40 MARKS)

1. 2	11. 3	21. 4	31. 3
2. 4	12. 2	22. 4	32. 3
3. 3	13. 2	23. 2	33. 4
4. 3	14. 3	24. 3	34. 1
5. 3	15. 2	25. 2	35. 2
6. 3	16. 1	26. 4	36. 3
7. 2	17. 4	27. 3	37. 2
8. 4	18. 1	28. 3	38. 2
9. 4	19. 2	29. 4	39. 3
10. 3	20. 3	30. 3	40. 1

SECTION B (30 MARKS)

Question 1 (10 marks)

1.1 (6 marks) (any 6)

- Increase in the likelihood of a business realising its objectives
- Build confidence in stakeholders and the investment community
- Comply with relevant legal and regulatory requirements
- Align risk appetite and strategy
- Improve organisational resilience
- Enhance corporate governance
- Embed the risk process through the organisation
- Minimise operational surprises and losses
- Optimise allocation of resources
- Identify and manage cross enterprise risks

1.2 (4 marks)

Corporate governance is the framework of rules and practices by which a board of directors ensures accountability, fairness and transparency in a company's relationship with all its stakeholders (financiers, customers, management, employees, government and the community).

The corporate governance framework consists of:

- Explicit and implicit contracts between the company and the stakeholders for distribution of responsibilities, rights, and rewards;
- Procedures for reconciling the sometimes conflicting interests of stakeholders in accordance with their duties, privileges, and roles, and
- Procedures for proper supervision, control and information flows to serve as a system of checks and balances.

Question 2 (12 marks)

2.1 (6 marks)

- **Risk checklist**

A risk checklist is used to list all the risks that were identified on previous projects within the business.

- **Gap analysis**

A Gap analysis can be used to identify the main risks linked to a certain activity or project of the business. The method will assist the business to establish where the gap is in the risk associated within the activity/project so that pro-active or reactive risk measures can be established.

- **Risk taxonomy**

Risk taxonomy can be explained as a structured checklist to break down the risks and opportunities into manageable components, which then can be aggregated for exposure measurement, reporting and management. This method is used in the risk taxonomy of software development.

- **PEST analysis**

The business can also use the PEST analysis method in the identification stage to identify the risk exposure of the business to its external environment. The business can conduct this analysis in a workshop or brainstorming session.

- **SWOT analysis**

A SWOT analysis is a very easy and understandable method for a business to identify the risks and opportunities in the business.

- **Risk questionnaire**

A risk questionnaire is used when a business needs to establish the concerns and risks that arise in a business project/activity through the various stages. The completion of the questionnaire will show how the business employees respond to risk.

2.2 (3 marks)

Risk appetite can also be referred to as risk attitude, tolerance, preference or capacity. The definition for risk appetite is the amount of risk a business is prepared to tolerate (be exposed to) at any point in time. A business risk appetite can vary according to its objectives, culture, environment, perceived financial exposure to certain risks and risk attitudes (risk neutral, seeking and averse). It is very important for a business to determine its risk appetite/tolerance and inform its senior managers about the business risk culture in which it operates. Senior managers must assist the board in implementing decisions on projects within business risk tolerance levels.

2.3 (3 marks)

In the risk monitoring and review process the activities that need to take place are the tasks that are necessary to ensure that this stage is managed proactively which executes responses, monitors effectiveness and then intervenes to implement corrective action. The following activities need to be conducted:

- Executing

- Monitoring
- Controlling

Question 3 (8 marks)

3.1 (5 marks) (any 5)

- The development of robust financial systems and internal controls;
- The development of concise, lucid reporting tools;
- The preparation of a cash budget plan to diminish the likelihood of the threat of liquidity risk;
- Securing credit insurance to cover non-payment of goods or services/bad debt;
- Carrying out comprehensive due diligence on counterparties whose default could seriously harm the business;
- Monitoring predicted changes in interest rates, and;
- Carrying out a robust assessment of planned investments, using tried and tested techniques.

3.2 (3 marks)

Ethical risk refers to exposure to events, which may result in criminal prosecution, civil law suits or erosion of reputation. Examples of ethical risk include bribery, false accounting, child labour, tax evasion, money laundering and invasion of privacy.

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