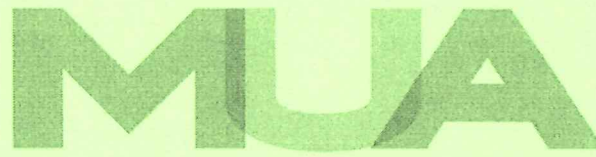


The
Management
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

INS 313: FUNDAMENTALS OF RISK MANAGEMENT

DATE: 29TH JULY 2024

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

Case Study: Zions Bancorporation

Zions Bancorporation is a financial services company that operates six bank charters across the western United States. With the diverse, broad services that it offers, comes a complicated risk profile. One of the main questions of management was what type of technology system would fit the company's needs and facilitate meeting Sarbanes-Oxley Section 404 requirements. Zions came up with three goals for its risk framework ie allow Zions to effectively manage risk and cut losses, increase shareholder value and customer service and Meet regulatory requirements

The overarching goal was also to fit this all into one system with a common framework in order to suit management's plans.

Zions enlisted the input of a multitude of internal groups to help develop the requirements the new risk system would need in order to be successful. Since Zions deals with banks, it also worked closely with the Federal Reserve Bank and the U.S. Office of the Comptroller. One of the key groups was the Internal Audit department, who provided feedback on many areas such as functionality, methodology, and user guidelines. After gathering all necessary feedback, the following requirements were established that is automated ERM system, use of a variety of risk tools, user-friendly screen designs, broad reporting applications for all departments, automatic alerts, web-based, scalable system, data feeds from multiple systems

This list provided a building block for Zions' risk management system. The company enlisted the help of an outside software vendor for development, Providius Software Solutions, Inc. Zions management studied the COSO Internal Control-Integrated Framework when deciding on how to approach risk management, and it based its own framework on that model. There are four steps to the Zions risk management process; determine objectives and risks, identify controls and assess their strength, develop actions necessary to eliminate gaps in control and establish accountability and sustainability

The business-line users determine the objectives and identify the risks associated with those objectives. The risk management system calculates the inherent risk score for analysis. This step helps with the evaluation of the company's risk levels. The same business-line users then populate the system with controls and ratings. These controls are either preventive or detective. The risk management system then calculates control and residual risks scores to identify risk exposures.

Management can then use these analyses to demonstrate that the internal controls are effective and should meet the Section 404 requirements. Internal audit still needs to review the controls and provide feedback internally. If any control exposures exist, managers put developed actions into place to close those holes. In order to create greater management involvement, Zions uses its risk system for online certifications and for management approvals on controls and actions. The Zions systems can provide custom reports and graphics to allow the users to quickly identify potential issue

The response to the risk management system has been positive across the company. It effectively allows Zions to manage existing issues and plan for future issues. The company has also found that it allows for better disclosure to its auditors in a more timely manner, as well as providing focus to its Internal Audit department. Zions has been able to combine multiple risk tools into one common system, providing the company a more effective way to manage its risk and increase its customer service.

h2. Conclusion

Companies today need to develop risk management systems that outline future risk issues and provide detailed information. Zions Bancorporation designed a web-based application for facilitating its risk management program. The company used several steps to come up with a solution that it felt would be able to meet all of its needs. Defining the system requirements is a large part of beginning the risk management system framework, followed by determining the approach to tackle risk issues. Zions identified the steps its management needed to take to ensure effective risk management, while also meeting its Sarbanes-Oxley Section 404 requirements. By mapping out the plan for its new risk management system, the company experienced a positive outcome which strengthened its risk culture.

Required:

- a) Evaluate three types of products Zions offers (9 marks)
- b) Evaluate any four types of risk that ZION is exposed to (8 marks)
- c) Assess any four advantages of risk management to an organization, such as Zions. (8 Marks)

QUESTION TWO

- a) Evaluate the phases involved in risk management process (9 marks)
- b) Discuss any three exposures in risk management (6 marks)

QUESTION THREE

- a) As a risk expert assess the three options available in risk management (7 marks)
- b) Explain any four methods of identifying potential risks in financial sector (8 marks)

QUESTION FOUR

- (a) Highlight any four risk functions of enterprise risk management (8 marks)
- (b) Evaluate four key phases of Risk Mitigation Process. (7 marks)

QUESTION FIVE

- a) Explain five principal rules for the practice of risk communication (10 Marks)
- b) List five Enterprise risks (5 marks)

QUESTION SIX

- a) Differentiate Inherent risk and Residual Risk (6 Marks)
- b) Argue how counter party risk differs from money risk due to Volatility and variability (9 marks)