

**NATIONAL UNIVERSITY OF SCIENCE & TECHNOLOGY**  
**FACULTY OF COMMERCE**  
**DEPARTMENT OF FINANCE**  
**BACHELOR OF COMMERCE HONOURS DEGREE IN FINANCE**  
**PART IV 2<sup>ND</sup> SEMESTER SUPPLEMENTARY EXAMINATION – AUGUST**  
**2005**  
**RISK MANAGEMENT [CFI 4204]**  
**TIME ALLOWED: 3 HOURS**

**INSTRUCTIONS**

**1. ANSWER ANY FIVE QUESTIONS**

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**QUESTION 1**

- 1 (a) Distinguish between a forward and a future hedge. (20)
- (b) Explain how a money market hedge operates. (20)

**QUESTION 2**

Outline the principles for operating a sound credit granting process (20)

**QUESTION 3**

What are the main components of market risk and the possible ways of hedging them. (20)

**QUESTION 4**

- 4 (a) Outline the primary classifications of risk. (10)
- (b) What is the role of the board in risk management. (10)

**QUESTION 5**

Outline how internal controls can be categorised. (20)

**QUESTION 6**

- 6 (a) What issues would you consider in determining the liquidity gap time profile. (10)
- (b) Briefly explain the cost of liquidity ratio for banks. (10)