

**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 FINAL EXAMINATION – JUNE 2007**  
**RISK MANAGEMENT [CFI 4204]**  
**TIME ALLOWED: 3 HOURS 10 MINUTES**

**INSTRUCTIONS**

1. The paper is 3 hours 10 minutes, of which 10 minutes is reading time.
2. Answer Any **FIVE** questions.
3. Write legibly
4. All questions carry equal marks [20]

**Question 1**

- (a) Distinguish between a forward and a future hedge (10)
- (b) Explain how a money market hedge work for both accounts receivables and payables. (10)

**Question 2**

Discuss the six financial attributes that affect the credit standing of corporates. (20)

**Question 3**

- (a) Assuming that you are a risk analyst for a bank, discuss the `people` issues and the `system` issues in operational risk management. (10)
- (b) Using an example, discuss any local organisation which collapsed due to lack of adequate operational risk control system. (10)

**Question 4**

- (a) Explain the 3 methods for adjusting portfolio performance for risk. (10)
- (b) What are the advantages and disadvantages of these methods? (10)

**Question 5**

Give an analysis of how an organisation can handle its exposure to interest rate risk. (20)

**Question 6**

With the aid of examples, explain the importance of hedging to firms. (20)