

NATIONAL UNIVERSITY OF SCIENCE & TECHNOLOGY
FACULTY OF COMMERCE
DEPARTMENT OF FINANCE
BACHELOR OF COMMERCE HONOURS DEGREE IN FINANCE
PART IV 2ND SEMESTER SUPPLEMENTARY EXAMINATION – AUGUST 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

Clearly, outline the life cycle of a risk management process. (20)

QUESTION 2

What are the sound practises for management and supervision of operational risk? (10)

QUESTION 3

Discuss the importance of credit rating systems in risk management? (20)

QUESTION 4

What is the significance of liquidity risk management in financial institutions? (20)

QUESTION 5

Discuss the various methods of reducing the elements of credit risk. (20)

QUESTION 6

Explain the importance of derivatives instruments in a risk management context. (20)