

041306T4BUS

BUSINESS MANAGEMENT LEVEL 6

BUS/BM/CR/07/6

Manage Business Risks

July/Aug 2023



**TVET CURRICULUM DEVELOPMENT, ASSESSMENT AND
CERTIFICATION COUNCIL (TVET CDACC)**

**CANDIDATE TOOL
WRITTEN ASSESSMENT**

TIME: 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Marks for each question are indicated in brackets ().
2. The paper consists of **TWO** sections; A and B.
3. You are provided with a separate answer booklet
4. Do not Write on this question paper

This paper consists of Three (4) printed pages.

SECTION A (40 MARKS)

Answer all the questions

1. Business risk is the exposure a company to factors that will lower its profits or lead it to fail. State **FOUR** causes of business risks. (4 Marks)
2. What is the meaning of the acronym PESTEL in risk analysis? (3 Marks)
3. Highlight **FOUR** duties of a risk assessment manager. (4 Marks)
4. Risk mitigation is an essential business practice of developing plans and taking actions to reduce threats to an organization. Outline **TWO** risk mitigation strategies. (2 Marks)
5. State **two** elements contained in a risk assessment matrix. (2Marks)
6. Differentiate between headhunting and recruitment in risk management. (2Marks)
7. Managing a firm involves a variety of risks. Identify **FOUR** types of risks that may cause a business to fail. (4 Marks)
8. Highlight **TWO** components of enterprise risk management. (2 Marks)
9. State **THREE** types of insurable risks that insurance companies will cover. (3 Marks)
10. Risk analysts help companies and institutions reduce the liabilities associated with business decisions by analyzing market conditions and financial data. List **THREE** skills that a risk analyst should possess. (3 Marks)
11. Labour turnover refers to the net departure of employees over a defined period of time. Outline **FOUR** causes of labour turnover (4Marks)
12. List **FOUR** reasons for training employees on risk management. (4 Marks)
13. A policy is a statement of intent and is implemented as a procedure or protocol. State **THREE** uses of risk management policy. (3 Marks)

SECTION B (60 MARKS)

Answer Question 14 and any other two questions

Read the case study below and use it to answer questions 14 (a) and 14 (b)

SUZIEBEAUTY LIMITED

Suzie Beauty Limited, offers make-up services to a range of clients. It developed a product line branded SB, an abbreviation of Suzie Beauty. Most of the quality products available in the market are unaffordable to most Kenyans. SB wanted to develop a product line that offers quality at an affordable price.

The SB product line comprises of a full range of make-up (foundations, powders, concealers, eye shadow, eye liner, mascara, blush, lipstick, lip gloss, lip liner), skin care products (moisturizers, eye cream, eye make-up remover, lip moisture), and application brushes. SB has been using the SB product line in all make-up services contracts over the past year. The intention was to try it out on clients and get their feedback to help improve on the products. The company is so far confident that the product is of good quality based on the feedback of its clients.

The beauty market in Kenya, which is estimated to be worth over Ksh.15 billion (\$185 million), is flooded with mostly foreign products. Research shows that the development of products to fill specific market needs has the potential of becoming a big and profitable business. The beauty industry is highly untapped considering the lengths people would go to buy beauty products. There are women who would forego buying groceries for their families just to buy a lipstick. Beauty is one of the industries that were not affected by the recession

In a few months the SB product line will be available for sale at selected beauty stores. Products will retail for between Ksh.600 (US\$7.4) and Ksh.2,500 (\$30.8). This is a capital-intensive project. To start a product line in Kenya one would need at least Ksh.20 million (\$246,000). The company have to assemble all the raw materials abroad and use the chemists there for testing and formulation of the products after which it imports the ready-made products. It would be very expensive to manufacture from Kenya since SB do not have most of the essential facilities and equipment here.

SB would like to partner with other investors in establishing a cosmetics manufacturing plant in Kenya. This would cost around \$2 million. Such a plant would create jobs for hundreds of Kenya's youths. In the next three years SB hopes to expand the product line to other countries in the East Africa region and later to the whole of Africa. The Marketing managers dream is to turn Suzie Beauty Limited into a household name for everything beauty on the continent, and internationally.

14. (a) Suzie Beauty is considering to establish a cosmetic manufacturing in Kenya. Using SWOT tool, analyze the viability of this investment. (12 Marks)

(b) Explain **FOUR** ways that Suzie Beauty Ltd can use to minimize business risks (8 Marks)

15. (a) The recruitment process provides the organization with a pool of qualified applicants. Describe the **SIX** steps involved in the recruitment process. (12 Marks)

(b) Explain **FOUR** characteristics of an insurable risk. (8 Marks)

16.(a) Achellis limited a detergent manufacturing firm has hired you as a risk manager. Explain **FIVE** risk control techniques you would employ for reducing the frequency or severity of losses. (10 Marks)

(b) One of the steps in risk management process is identifying loss exposure. Discuss **FIVE** sources of information that a risk manager can use to identify this loss exposure. (10 Marks)

17.(a) You have been tasked to prepare a proposal on strategies that would help a business to avoid business interruption. Explain **FIVE** strategies that you would include in the proposal. (10 Marks)

(b) Commercial risk is the risk a company takes by offering credit with no collateral. Discuss **FIVE** types of commercial risks faced by business. (10 Marks)