



**MANICALAND STATE UNIVERSITY
OF
APPLIED SCIENCES**

FACULTY OF AGRIBUSINESS AND APPLIED SOCIAL SCIENCES

DEPARTMENT: APPLIED ACCOUNTING

ENTERPRISE RISK MANAGEMENT

CODE: ACCT 419

SESSIONAL EXAMINATIONS

NOVEMBER 2023

DURATION: 3 HOURS

EXAMINER: MR C. MAIREVA

INSTRUCTIONS TO CANDIDATES

- 1. This paper contains **FIVE (5)** questions*
- 2. Answer **ALL** questions*
- 3. Each question carries 20 marks*
- 4. Start each question on a new page*
- 5. Additional Materials: Silent, non-programmable calculator*

Question 1

Read the following case study and answer the questions that follow

ZimTextiles Private Limited is a textile manufacturing company with operations in Zimbabwe. It has a comprehensive risk management policy. The policy, among other things, provides for review of the risk assessment and mitigation procedure, laying down the reporting procedure to the board, and for periodical review of the procedure to ensure that executive management controls risk through a properly defined framework.

During the year, the audit committee which has been designated by the board for the purpose, reviews the adequacy of the risk management framework of the company, the key risks associated with the business of the company and the measures and steps in place to mitigate the same. You are a member of the audit committee in ZimTextiles Private Limited, and you have been tasked to make a presentation at the next board meeting on the enterprise risk management framework based on the review carried out.

Required:

Clearly outline the details you would present at the board meeting in respect of key risks affecting the company, giving practical examples from the business environment in which the company is operating. (20 marks)

Question 2

- a. Distinguish between the different bases that can be used to indicate the real value of an asset during the risk evaluation process. (10 marks)
- b. Identify the four (4) main risks as classified in terms of frequency and severity. (4 marks)

- c. With the aid of a matrix, briefly explain how the various types of risks dictate the risk control approach taken by an organisation. (6 marks)

[Total: 20 marks]

Question 3

Mrs Gwana Gwavatete has just been appointed the Chief Executive Officer of Hughes Street Investments, a steel and hardware merchant in Mutare. She approaches you as the risk manager to gain a better understanding of the implementation of enterprise risk management (ERM) within the company.

Required:

Compile a report addressed to Mrs Gwavatete in which you explain the elements of an ERM structure. (Up to 2 marks are awarded for a proper report format)

(20 marks)

Question 4

- a. Explain in detail the following six (6) process activities which need to take place in the risk evaluation stage:
- i. Basic concept of probability (2 marks)
 - ii. Sensitivity analysis (2 marks)
 - iii. Scenario analysis (2 marks)
 - iv. Simulation (2 marks)
 - v. Monte Carlo simulation (2 marks)
 - vi. Latin Hypercube sampling (2 marks)
- b. Using practical and relevant examples from the Zimbabwean business environment and a company of your choice, distinguish between key risk indicators and key performance indicators? (8 marks)

[Total: 20 marks]

Question 5

“Operational risks are a group of risks which impact on the way in which a firm carries on business. They include a wide number of different risks, which often overlap each other to a significant degree.” (Sweeting, 2011:102).

Required:

Using a financial institution of your choice,

- a. Identify any five (5) operational risks the financial institution faces
(5 marks)
- b. Discuss in detail the five (5) operational risk identified in (a) above
(15 marks)

[Total: 20 marks]

END OF EXAMINATION PAPER