

CENTRAL UNIVERSITY

SEMESTER II RESIT EXAMINATION

2018/2019



DEPARTMENT OF MANAGEMENT & PUBLIC ADMINISTRATION

SBFW 304 RISK & STRATEGIC MANAGEMENT

3 CREDITS

SESSION: MORNING, AFTERNOON AND WEEKEND

DURATION: 3 HOURS

STUDENT ID No.....

INSTRUCTIONS:

Section A: Multiple Choice – Answer ALL questions

Section B: Fill-in-the-blank – Answer ALL questions

Section C: Short Notes – Answer ALL questions

Section D: Essays – Answer only ONE question.

Answer ALL questions into the Answer Booklet provided

DO NOT TURN OVER THIS PAGE UNTIL YOU ARE TOLD TO DO SO BY THE INVIGILATOR

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SECTION A: MULTIPLE CHOICE QUESTIONS – (30 MARKS)

Choose the most appropriate response to each of the following questions. Write the alphabet (a, b, c or d) that corresponds to the correct answer into your Answer Booklet.

1. The concept that denotes a potential negative impact to an asset or some characteristic of value that may arise from some present process or future event is termed:
 - A. Disaster
 - B. Hazard
 - C. Risk
 - D. Uncertainty

2. Risk occurs because of _____ in predicting future events.
 - A. Certainty
 - B. Confusion
 - C. Disaster
 - D. Doubt

3. The risk control tool that causes some entity other than the one experiencing the loss to bear the burden of the loss is called:
 - A. Diversification
 - B. Insurance
 - C. Risk avoidance
 - D. Risk transfer

4. Economic depression which affects all businesses and all assets of a business is an example of:
 - A. Diversifiable risk
 - B. Insurable risk
 - C. Systematic risk
 - D. Unsystematic risk

5. A risk condition that increases the probability, frequency or severity of a loss is known as:
 - A. Catastrophe
 - B. Disaster
 - C. Hazard
 - D. Peril

6. Risks that can be reduced through risk sharing or pooling agreements are called:
 - A. Diversifiable risks
 - B. Hazard based risks
 - C. Non-diversifiable risks
 - D. Non-hazard based risks

7. A manufacturer holds a large amount of stock in the form of finished products in its warehouse. What type of risk does the company face?
- A. Default risk
 - B. Equity risk
 - C. Interest rate risk
 - D. Liquidity risk
8. Having a fire extinguisher in the car is a _____ method of risk control.
- A. Loss prevention
 - B. Loss reduction
 - C. Risk avoidance
 - D. Risk transfer
9. In the case of physical assets, the worse loss that is likely to occur in a time period or because of a single event is termed the:
- A. Possible Maximum Loss
 - B. Probable Maximum Loss
 - C. Valuable Maximum Loss
 - D. Variable Maximum Loss
10. A company has sold one of its old vehicles that keeps breaking down to avoid paying the cost of repairing it. What type of risk control measure is this?
- A. Abandonment
 - B. Avoidance
 - C. Retention
 - D. Transfer
11. Ownership of a part of a corporation that gives control rights to the owner is called:
- A. Common stock
 - B. Corporate Bond
 - C. Debentures
 - D. Futures
12. Which of the following is **NOT** one of the elements that may be present in a typical financial asset?
- A. Control and voting rights
 - B. Ownership of a physical asset
 - C. Promised payment
 - D. Right to another asset

13. Kwabena's 2010 Toyota Corolla which he purchased brand new five years ago got totally destroyed in the flood. He is assessing the loss amount by searching the internet to find out how much a similar 2010 Toyota Corolla is currently being sold for. Kwabena is using _____ in the valuation process.
- A. Book Value
 - B. Market Value
 - C. Replacement Cost New
 - D. Value Added
14. Having a comprehensive insurance, Kwabena's insurance company decides to pay him the cedi equivalence of a brand new 2015 model of his car but deducted 20% of the value to account for Kwabena's five year usage of the car. Which valuation method is the insurance company using?
- A. Market Value
 - B. Market Value Less Depreciation
 - C. Replacement Cost New
 - D. Replacement Cost New Less Depreciation
15. Madam Koffie purchased a debt security of Nestle Ghana Ltd which she later exchanged for a fixed number of shares in the company. This type of financial instrument is called _____.
- A. Common stock
 - B. Convertible debt
 - C. Preference stock
 - D. Swap
16. A plan that defines an organisation's intentions and allocates or matches resources to opportunities to enable the firm compete effectively against its rivals is called a _____.
- A. Procedure
 - B. Program
 - C. Scheme
 - D. Strategy
17. A multinational Bank has acquired HFC Bank in a hostile takeover. This strategic decision was determined at the:
- A. Business level
 - B. Corporate level
 - C. Functional level
 - D. Operational level

18. The strategic management theory used to develop growth strategies is known as
- A. Ansoff Matrix
 - B. BCG Matrix
 - C. SWOT Matrix
 - D. PESTLE Matrix
19. When we analyse the general macro environment, we identify two key strategic factors classified as:
- A. Opportunities and Strengths
 - B. Opportunities and Threats
 - C. Strengths and Threats
 - D. Strengths and Weaknesses
20. A strategy which is simply seen as the expedient thing to do or which is the outcome of negotiation between powerful groups or parties with conflicting interests is known as:
- A. Deliberate strategy
 - B. Emergent strategy
 - C. Muddling through strategy
 - D. Turnaround strategy
21. Which of the following is not identified through the analysis of an organization's competitive industry environment?
- A. Industry profitability and attractiveness.
 - B. Industry structure and intensity of rivalry.
 - C. Opportunities and threats opened to the firm.
 - D. Strengths and weaknesses of the firm.
22. According to Rosen (1995), the key focus of strategic management is the following **EXCEPT**:
- A. The organization's goals
 - B. The organization's objectives
 - C. The organization's resources
 - D. The organization's strategy
23. Which of the following factors will increase the bargaining power of suppliers?
- A. Ability to backward integrate
 - B. Ability to forward integrate
 - C. Availability of substitutes
 - D. Buyer concentration
24. Unilever Ghana Ltd has sold its Frytol business to Wilmar Africa Ltd. This is an example of:
- A. Diversification strategy

- B. Integration strategy
 - C. Market penetration strategy
 - D. Withdrawal strategy
25. In terms of the PESTLE analysis, the liberalization of international trade and tariff regimes could go in which sections?
- A. Economic and technological
 - B. Environmental and Economic
 - C. Political and legal
 - D. Political and social
26. Porter's generic strategies are:
- A. Cost leadership, differentiation and focus
 - B. Low cost, price differentiation and focus
 - C. Low price, differentiation and focus
 - D. Price leadership, differentiation and focus
27. The technique that illustrates how management can match the significant factors in its external environment with important factors in its internal environment to generate alternative strategic options is termed:
- A. Ansoff Matrix
 - B. BCG Matrix
 - C. PESTLE Matrix
 - D. SWOT Matrix
28. Rivalry between competitors in an industry tends to be intense or strong when:
- A. Firms are unable to differentiate their products
 - B. Production capacity can be added in small increments
 - C. The industry growth rate is high
 - D. There are few firms of unequal in size in an industry
29. A business strategy whereby firms attempt to gain a competitive advantage by increasing the perceived value of their products or services relative to the perceived value of other firms' products or services is referred to as:
- A. Cost leadership
 - B. Best cost provider
 - C. Product differentiation
 - D. Related diversification
30. To stop its dependence on Microsoft for its software needs, Dell, the computer manufacturer has decided to produce its own computer software. This is a case of:

- A. Backward integration
- B. Forward integration
- C. Horizontal integration
- D. Strategic integration.

SECTION B: FILL-IN-THE-BLANK (30 Marks)

Complete the statement with the appropriate word or phrase.

1. The risk that arises from execution of a company's business functions and daily activities is known as _____.
2. In the traditional risk management approach, risk is thought of as _____ and the risk manager is the _____.
3. The goal of all risk management is to _____ and/ or _____.
4. The lowest level of risk where possible outcomes can be identified and the likelihood of consequences known is referred to as _____.
5. Old age or the situation where one has lived past their productive years is termed: _____.
6. Name **two** measures put in place by relevant institutions in Ghana to deal with the risk of old age. _____ and _____.
7. Risk assessment involved three main stages mention **two**: _____ and _____.
8. An activity, factor or incident that causes loss is known as a _____.
9. Irresponsible or reckless behaviour that poses danger to oneself and others without any ulterior motives is termed _____ hazard.
10. An organisation is providing a health and safety training for its operational staff. What type of risk management measure is this? _____.
11. An unsecured debt is called _____.

12. The risks attached to holding financial assets include _____ and _____.
13. UT Insurance is a company that provides insurance coverage to its parent company, UT Bank, UT Holdings and other affiliated organisations. This type of self-insurance is called _____ insurance.
14. Nana Ama has given her expensive jewelry and ornaments to her friend Dorothy for safe keeping because she lives in a compound house and fears they might be stolen. Nana Ama is the _____ and Dorothy is the _____.
15. Mr. Boison has invested in a kind of stock that attracts a fixed dividend payable at the discretion of the company's Board of Directors. This kind of stock is called _____.
16. The strategy that looks at the whole range of business opportunities and focuses on the long term financial performance of the organisation as a whole is known as _____.
17. The strengths and weaknesses of a firm can be identified in the _____ environment.
18. According to Pearce and Robinson (2013), competitive advantage comes from two main sources namely: _____ and _____.
19. The handling of materials and inventory from the firm's suppliers is known as _____ management.
20. The individual or group of individuals who are most responsible for the development of an organisation's strategy and upon whose shoulders the success or failure of the firm rests are referred to as _____.
21. A firm's method of financing that measures its debt ratio relative to its equity is known as _____.
22. The analysis of a firm's activities to determine the contribution of the different activities that make up its economic performance is called _____ analysis.
23. Nestle Ghana Ltd has launched a major promotion and advertising campaign in order to increase the market share of its flagship product, Milo in its existing market. This is an example of a _____ strategy.

24. Surfline, the new data communications firm has a small market share of the high growth data transfer market. Surfline's data communications services can be classified by the BCG Matrix as a _____.
25. A unique capability in the organisation that creates high value and that differentiates the organisation from its competitors is called _____.
26. The strategy whereby a company concentrates on a specific market area, a market segment or a product is referred to as _____.
27. A firm's objectives convert its strategic vision and mission into _____.
28. Procurement, technology development and infrastructure are examples of _____ activities in the value chain.
29. The process whereby a firm's actual performance is compared to desired performance in order to determine the extent to which strategic objectives and goals have been achieved and to take needed corrective action is referred to as _____.
30. The organisational structure where activities are organised on the basis of location and which is mostly used by Multinational Corporations and businesses with wide national dispersion is called _____ structure.

SECTION C: SHORT NOTES (20 MARKS)

1. With the help of relevant examples, explain the concept of risk aversion _____ (4Marks).
2. Briefly explain the Risk Management Process _____ (4Marks).
3. Briefly explain the Strategic Management Process _____ (4Marks).
4. Using examples explain how a given technology has revolutionised the way business is conducted in an industry of your choice _____ (4Marks).
5. Briefly explain why employees are mostly resistant to organizational change and how corporate managers can overcome resistant to strategic change _____ (4Marks).

SECTION D: ESSAYS – ANSWER ONLY ONE QUESTION

QUESTION 1 (20 MARKS)

Strategy implementation is an action-oriented; make things happen, task that tests a manager's ability to direct an organisation's activities, design and supervise business processes, motivate people and achieve performance targets.

Critically analyse five (5) conditions that can facilitate effective implementation (or execution) of a company's strategy. Support your answer with appropriate examples.

QUESTION 2 (20 MARKS)

"Insurance is one of the best instruments of sustainability in the development of modern society. It is that which distinguishes a modern society from a primitive one" (Edwards, 1989).

- (a) Define insurance and explain the law of large numbers and discuss its implications for an insurance system and society as a whole (5Marks).
- (b) Explain the process of risk pooling and loss sharing (5Marks).
- (c) With the help of an example, explain why it is necessary to discriminate in order to pool (5Marks).
- (d) Using examples, explain the concept of "Adverse Selection". How can insurers reduce or protect themselves against it? (5Marks).