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(University of Choice)

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY (MMUST)

SCHOOL BASED

UNIVERSITY MAIN EXAMINATIONS

2023/2024 ACADEMIC YEAR

FOURTH YEAR FIRST SEMESTER MAIN EXAMINATIONS

FOR THE DEGREE

OF
BACHELOR OF EDUCATION ARTS

COURSE CODE: **BCB 109**

COURSE TITLE: INSURANCE AND RISK MANAGEMENT

DATE: TUESDAY, 19TH/12/2023 **TIME:** 9:00 - 11:00AM

INSTRUCTIONS TO CANDIDATES

1. ANSWER QUESTION **ONE** AND ANY **OTHER TWO** QUESTIONS
2. DO NOT WRITE ANYTHING ON THE QUESTION PAPER

TIME: 2 HOURS

MMUST observes ZERO tolerance to examination cheating

WIPRO CASE STUDY

Wipro Inc is one of the most admired IT companies in Kenya, was founded in 1998 by Mohamed Hussain Hasham Premji dealing mainly in vegetable oil fats. By 2005, under the leadership of his son Azim Premji, the company had grown into a diversified corporation offering software services and products to most of the blue chip companies in the country.

The company believes that the following factors could affect its software business:

a) The size, timing and profitability of significant projects or product orders.
b) The proportion of services performed at clients' sites as opposed to offshore facilities.
c) Seasonal changes that affected the mix of services provided to clients or in the relative proportion of services and products.
d) Seasonal changes that affected purchasing patterns among consumers of computer peripherals, personal computers, consumer care and other products.
e) The effect of seasonal hiring patterns and the time required to train and productively utilize new employees.
f) Exchange rate fluctuations.

The company believes its business environment is becoming increasingly competitive. Wipro's competitors include software companies, large international accounting firms and their consulting affiliates, systems consulting and integration firms, other technology companies and in-house information services departments of clients. Wipro's competitors are much bigger and have significantly larger financial, technical and marketing resources compared to Wipro. Wipro's ability to compete depends on the price at which competitors offer comparable services, and how effectively competitors respond to their clients' needs.

Approximately 59% of Wipro's total operating expenses in the IT Services and Products business, particularly personnel and facilities, are fixed in advance in a given quarter. As a result, unanticipated variations in the number and timing of projects or employee

utilization rates will have an impact on operating results. Wipro believes that period-to-period comparisons of results of operations are not necessarily meaningful and should not be relied upon as indications of future performance.
Wipro's software business had been growing rapidly. This growth places significant demands on management and other resources. Operational, financial and other internal controls. If Wipro is unable to manage its growth effectively, the quality of its services and products would decline. Then its ability to attract clients and skilled personnel would be negatively affected, slowing down the growth of the business.

Given the above challenges, Wipro has engaged KenSwipe Partners, a risk management consultancy firm where you work as a risk analyst to develop and help implement a comprehensive risk policy. You have been appointed to lead this project.

QUESTION ONE (30 MARKS)

(a) The first person that you are scheduled to meet is the CEO of the organization. What are the main issues that you should raise with him? (10 marks)
(b) Document the various financial arrangements that the above organization should make to cushion itself against the exposures it faces. (10 marks)
(c) Discuss the various insurance tools available to Wipro for managing their risk exposures. (10 marks)

QUESTION TWO (20 MARKS)

(a) Why do you think many organizations such as Wipro Inc. have failed to implement risk management programs? (6 marks)
(b) Identify and explain the risk exposures inherent in Wipro's supply chain. (6 marks)
(c) Describe how you will go about documenting the risks that Wipro Inc. faces. (8 marks)

QUESTION THREE (20 MARKS)

a) Develop a comprehensive risk register/matrix for the above organization. (12 marks)
b) Explain the activities to be executed to ensure that the risk policy developed achieves its objectives. (8 marks)

QUESTION FOUR (20 MARKS)

(a) Do you think that the organization above needs to utilize insurance to manage its risks? (10 marks)
(b) From the case above, generate a risk scenario and use it to relate the concepts of insurable interest, indemnity and subrogation. (10 marks)

QUESTION FIVE (20 MARKS)

a) There are many situations where the Wipro Inc. is exposed to losses as a result of actions that may cause losses to other parties. Identify and explain some of those situations and how insurance can be used to manage them. (10 marks)
b) Discuss the various stakeholders in the insurance industry and their relevance to the risk consultant for the above case. (10 marks)

The end! Good Luck!