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(University of choice)

MASINDE MULIRO UNIVESITY OF SCIENCE AND TECHNOLOGY (MMUST)

UNIVERSITY EXAMINATION

2023/2024 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER

EXAMINATIONS FOR THE DEGREE OF

BACHELOR OF COMMERCE

COURSE CODE: BCB 126

COURSE TITLE: INSURANCE AND RISK MANAGEMENT

DATE: MONDAY 8TH APRIL 2024 TIME: 11.30-1.30 PM

INSTRUCTIONS TO CANDIDATES:

1. Answer Question **ONE** and any other **TWO** questions.
2. The length of the answers should be guided by the marks allocated to each question.
3. Clearly articulate practical illustrations where required.

MMUST Observes ZERO Tolerance to Examination Cheating

This paper consists of 4 Pages.

QUESTION ONE (30 MARKS)

Carefully read the case below and answer the foregoing questions.

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.

(a) Document the contents of the policy document to be developed. (20 marks)

(b) Explain the different ways that the above organization can utilize insurance to manage their risk exposures. (10 marks)

QUESTION TWO (20 MARKS)

(a) Discuss the elements that characterize a risky environment and based on that explain different types of risks that exist and the relevance of the categorization to the risk manager. (10 marks)

(b) Describe the tool that you shall use to evaluate Wipro's risks highlighting the weaknesses and strengths. (10 marks)

QUESTION THREE (20 MARKS)

a) Recommend the actions to be taken by Wipro to prevent or minimize losses. (10 marks)

b) Identify the expenses to be incurred by Wipro in managing its risk exposures and explain how this will be retained. (10 marks)

QUESTION FOUR (20 MARKS)

(a) The first thing that comes to the mind of most managers when thinking about managing the organization's risks is insurance When should Wipro make the decision to use insurance and not any other form of risk management. (10 marks)

(b) With reference to your role in the above project, discuss the concept of insurable interest, explaining how it manifests itself, arises and applied. (10 marks)

QUESTION FIVE (20 MARKS)

a) Relate the concepts of subrogation and contribution and show how, in the above case, each arises and operates. (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!