



**The Co-operative University College of Kenya**  
(A Constituent College of Jomo Kenyatta University of Agriculture & Technology)

**END OF SEMESTER EXAMINATIONS APRIL - 2015**

**EXAMINATIONS FOR BACHELOR OF CO-OPERATIVE BUSINESS YEAR III**  
**SEMESTER II**

**UNIT CODE: HCOB 2408**

**UNIT TITLE: FINANCIAL RISK MANAGEMENT**

**DATE:** \_\_\_\_\_ **TIME:** \_\_\_\_\_

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**INSTRUCTIONS:**

Answer question **ONE** (compulsory) and any other **TWO** questions

**QUESTION ONE**

- a) Explain the benefits of Financial Risk Management towards firm value (10 Marks)
- b) Explain various categories of Financial Risk a firm is exposed to (10 Marks)
- c) Explain the various methods of managing price risks (10 Marks)

**QUESTION TWO**

- a) Barclays bank share = Shs 17
- Volatility = 40%
- Mean return = 10%
- Risk factor = 5%

**What is XXXXXXXXXXXX Var at**

- i) 95% confidence level (10 Marks)
- ii) 90% confidence level (5 Marks)
  
- b) Explain the importance of Risk Management to Firms (5 Marks)

**QUESTION THREE**

- a) Explain the use of each of the following in managing financial risk. Use relevant examples
  - i. SWAPS
  - ii. FUTURES
  - iii. OPTIONS
  - iv. FORWARDS (12 Marks)

b) Explain the various sources of financial risks

(8 Marks)

#### QUESTION FOUR

a) Explain the use of the following in Credit Risk Management

- i. Insurance
- ii. Credit default movement
- iii. Netting
- iv. ~~XXXXXXXXXXXXXXXXXX~~ Subsidiary

b) Suppose the risk factor rate is 10% manual return 12% and the actual returns and beta are as follows

	Actual Stock Return	Beta
A	9%	0.5
B	8%	0.5
C	11%	1.5

Required:

Assess the viability of the assets by employing capital

(8 Marks)

#### QUESTION FIVE

a) Explain exchange rate fluctuation affects traders profits. Use relevant examples

(10 Marks)

b) Explain the risk management process

(10 Marks)