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MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS**

**2016/2017 ACADEMIC YEAR**

**THIRD YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS**

**BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BBM 315**

**COURSE TITLE: FINANCIAL RISK MANAGEMENT**

**DATE: 27TH APRIL 2017 TIME: 8.30AM-10.30AM**

**INSTRUCTIONS TO CANDIDATES**

* ***Answer question ONE (compulsory) and any other THREE***
* ***Question one carries 25 marks***
* ***All other questions carry 15 marks***

*This paper consists of 2 printed pages. Please turn over*

**QUESTION ONE**

1. Differentiate between interest rate risk and bonds **(2 marks)**
2. State four potential risk treatments **(4 marks)**
3. Define the two types of Options in the financial markets **(2 marks)**
4. Discuss three types of Market Risk **(9 Marks)**
5. Explain the following terms.

I. Risk **(1 mark)**

II. Swap **(1 mark)**

III. Securities trading **(1 mark)**

IV. Systematic Risk **(1mark)**

1. Explain two financial risks one faces when investing international in the offshore markets  **(4 marks)**

**QUESTION TWO**

1. Define and Discuss in length the process involved in risk management.

**(10marks)**

1. Explain five ethical issues in financial risk management **(5 Marks)**

**QUESTION THREE**

1. Discuss the five roles of financial markets **(10 marks)**
2. Discuss the four potential risk treatments **(5marks)**

**QUESTION FOUR**

1. Differentiate between financial futures and forwards **(5marks)**
2. Discuss the types of risks faced by commercial banks in Kenya and possible risk management measures that can be adopted **(10marks)**