



PAN AFRICA CHRISTIAN UNIVERSITY

BACHELORS OF COMMERCE

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: CFN 402

COURSE TITLE: FINANCIAL RISK MANAGEMENT

DATE: TUESDAY

TIME: 8AM – 11AM

INSTRUCTIONS

- This examination script consists of **six (6)** questions.
 - Answer question ONE and ANY other three Questions.
 - Show all your workings
 - Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.

Question One

With an example, explain the following terms:

- a) Risk (3 Marks)
- b) Financial risk (3 Marks)
- c) Financial risk management (4 Marks)

Question Two

- a) Explain any three sources of financial risk (4 Marks)
- b) Using an example in each case, explain any three objectives of financial risk management (6 Marks)

Question Three

Using an example in each case, explain the process of financial risk management (10Marks)

Question Four

- a) Identify one type of financial risk and describe how it is measured (5Marks)
- b) Explain any one way of managing the financial risk identified in part (a) above (5Marks)

Question Five

Explain how the following financial elements relate to the value of the firm in risk management:

- a) Taxation (2 Marks)
- b) Financial distress (2 Marks)
- c) Investment inadequacy (2 Marks)
- d) Information asymmetry (2 Marks)
- e) Financial and operational costs (2 Marks)

Question Six

Identify various ways of managing financial risk using a relevant example in each case (10Marks)

