

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE & MANAGEMENT

Final Year First Semester Examination in Bachelor of Business Administration (Hons)

2021/2022 (February 2024) - Proper/Repeat

MGT 4133 – Risk Management & Insurance

Answer all questions

Time: 03 Hours

Q1. Read the following case study and answer the questions given below.

Supply Chain Risk Management: Navigating Uncertainties in Global Operations

In today's globalized business environment, supply chain risk management has become increasingly critical for organizations across industries. The interconnected nature of supply chains exposes businesses to a myriad of risks, ranging from disruptions in logistics and transportation to geopolitical uncertainties and natural disasters. Understanding and effectively managing these risks are essential for organizations to maintain operational resilience and continuity.

One of the primary concerns related to supply chain risk is the vulnerability of logistics and transportation networks to disruptions. Whether due to port closures, labor strikes, or infrastructure failures, disruptions in the movement of goods can significantly impact supply chain operations and lead to delays, increased costs, and customer dissatisfaction. As such, businesses must implement proactive measures such as diversifying transportation routes, maintaining buffer stocks, and developing contingency plans to mitigate the impact of logistical disruptions.

Furthermore, geopolitical uncertainties present significant risks for organizations with global supply chains. Political instability, trade conflicts, and regulatory changes can disrupt supply chain flows, affect sourcing strategies, and create uncertainty in market demand. For example, the imposition of tariffs or trade sanctions can disrupt supply chain relationships and increase costs for businesses reliant on international trade. To mitigate geopolitical risks, organizations must conduct thorough risk assessments, stay informed about geopolitical developments, and develop flexible supply chain strategies that can adapt to changing geopolitical landscapes.

In addition to logistical and geopolitical risks, natural disasters pose a significant threat to supply chain resilience. From earthquakes and hurricanes to floods and wildfires, natural

disasters can disrupt production facilities, damage infrastructure, and disrupt transportation networks, leading to supply chain disruptions and financial losses. To enhance resilience against natural disasters, organizations must invest in robust risk mitigation measures, such as implementing disaster recovery plans, diversifying supplier locations, and enhancing supply chain visibility to identify and address vulnerabilities proactively.

Moreover, supply chain risk management extends beyond operational considerations to encompass environmental, social, and governance (ESG) factors. Environmental risks, such as climate change and resource scarcity, can impact supply chain sustainability and resilience. Social risks, including labor rights violations and ethical sourcing practices, can tarnish corporate reputation and lead to legal liabilities. Governance risks, such as regulatory compliance and supply chain transparency, are essential for maintaining ethical business practices and ensuring accountability throughout the supply chain.

In conclusion, effective supply chain risk management requires a holistic and proactive approach that addresses the diverse challenges inherent in global supply chain operations. By understanding the nature of supply chain risks, implementing robust risk mitigation strategies, and fostering collaboration with supply chain partners, organizations can enhance their resilience and ensure continuity in the face of uncertainties. As businesses continue to navigate the complexities of global supply chains, proactive risk management remains essential for safeguarding their operations and maintaining competitive advantage in an increasingly interconnected world.

Questions

- i. Explain the impacts of geopolitical uncertainties on supply chain operations and provide examples of potential disruptions.
(4 Marks)
- ii. How can organizations integrate ESG considerations into their risk management strategies?
(5 Marks)
- iii. What are the potential consequences of not effectively managing supply chain risks, both in the short term and long term, for businesses operating in different industries?
(8 Marks)

iv. How do supply chain risk management practices differ between small and medium-sized enterprises (SMEs) and large multinational corporations, considering factors such as resources, expertise, and organizational structure?

(8 Marks)

(Total 25 Marks)

Q2. "Risk may be defined as a compound measure of the probability and magnitude of an adverse effect."

i. Define 'Risk management' and explain its importance in modern business operations.

(05 Marks)

ii. Explain how risk differs from uncertainty with examples?

(07 Marks)

iii. Outline the risk management process and discuss various approaches used to manage different types of risks.

(08 Marks)

(Total 20 Marks)

Q3. "Risk is part of the work life of individuals and organizations."

i. Identify and describe at least five different types of risks faced by Sri Lanka's financial institutions.

(05 Marks)

ii. List out and explain the different types of credit risk mitigation strategies and reinvestment risk mitigation strategies.

(07 Marks)

iii. Discuss the types of exchange rate risk and which risk categories are the most crucial to take into consideration while evaluating investment opportunities.

(08 Marks)

(Total 20 Marks)

Q4. "Insurance is a way to manage your risk."

- i. What do you mean by "General insurance"? Explain the difference between "Life insurance" and "General insurance".
(05 Marks)
 - ii. Elaborate on life insurance riders, explain reinsurance and double insurance, and provide examples.
(07 Marks)
 - iii. List out and explain the features of different types of life insurance schemes, and briefly describe the importance of insurance for the insured and society.
(08 Marks)
- (Total 20 Marks)**

Q5. "Insurance is a legal agreement between two parties."

- i. What is "Motor insurance"? Explain the types of motor insurance.
(03 Marks)
 - ii. What do you mean by the concepts of indemnity and subrogation in insurance?
(04 Marks)
 - iii. Write short notes on the following:
 - A. Marine insurance
 - B. Workmen's compensation insurance
 - C. Personal accident insurance policy
 - D. Burglary insurance
(08 Marks)
- (Total 15 Marks)**