

PGDM (IBM), 2020-22
Risk Management
INS-207
Trimester-II, End Term Examinations: January-2021

Time Allowed: 2½ hrs.

Roll No.: _____

Marks: 50

Instruction: Students are required to write Roll No. on every page of the question paper. Writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. Of Questions to attempt	Marks	Total Marks
A	Minimum 3 question with internal choices and CILO (Course Intended Learning Outcome) covered Or Maximum 6 questions with internal choices and CILO covered (as an example)	3*10 6*5	30
B	Compulsory Case Study with minimum of 2 questions	20	20
			50

Section-A

A1(A). An energy organization is considering expanding its pilot operation of converting waste into electricity. The expansion would involve building a generator and then hiring employees to transport waste from a nearby landfill to the generator. Other employees would be hired to supervise and manage the chemical conversion process. The organization would need to issue bonds to pay for this project. Although the organization's pilot has been a success, this is a new energy filed with no widespread applications. Compare the quadrants of risk in this project that would be identified in the risk management process versus the traditional risk management process. (5 Marks)

A1(B). You are the newly appointed Risk Manager for Amazon plc. Amazon plc is a luxury hotel chain with ten hotels in one country. Each hotel has a fine dining restaurant. Amazon plc is considering purchasing a hotel in an emerging market country in which they are not operating at present. You have reviewed DYS plc's current risk register and found it to be outdated, there is no indication of which risks are the most significant. Explain, with justification, two significant risk types facing Amazon plc. (5 Marks) (CILO 1)

OR

A1(A). The new chief risk officer (CRO) at an organization is interested in identifying emerging risks. The organization was recently surprised by a lawsuit regarding a defect in one of the products. What method should the risk manager recommend to the CRO to identify emerging risk at the organization. Also state various emerging risk faced by organization. (5 Marks)

A1(B). You are the Risk Manager for a food manufacturing company who specialize in baby food. One of the company's most successful products is a powdered milk product. Following a fault in the manufacturing process, a harmful ingredient was accidentally added to the powdered milk product. The contaminated

powdered product, which could cause injury if consumed, was distributed world-wide before the fault was discovered. Explain, with justification, three actions you would take to mitigate the consequences of the risk after having discovered that the powdered milk product was contaminated. (5 Marks)

A2(A). The risk manager for Shelton Manufacturing is concerned about the risk of explosion and fire during one stage of the manufacturing process. Shelton has installed a sprinkler system and fire alarm in the area where explosion are likely. Should an explosion occur that starts a fire, the sprinkler is designed to active immediately. The heat activated the fire alarm would be triggered by spreading fire. Describe a process that can be used to estimate the potential effectiveness risk control measure in the event of an explosion. (5 Marks) (CLO 2)

A2(B). John is a risk management professional for his employer. His employer's management is trying to decide whether to retain some of the financial consequences of general liability events or transfer them to an insurer. What advantage of transferring the financial consequences of general liability events to an insurer might John point out to management? (5 Marks)

OR

A2. You are the Risk Manager for a service company which has a contract with a town council. The service company delivers the following for the town council: • Road and roadside maintenance. • Refuse collection. • The maintenance of public places, such as parks, sports facilities and play areas. • The supplying of food for local schools. A major storm caused damage and extensive disruption to a nearby town which disrupted the delivery of services by another town council. Therefore, you have been asked by your town council to review the management of the risks that arise from the delivery of the services. Explain, with justification, how you would apply each of the five stages of the 'risk management process' in delivering the town council's services. (10 Marks)

A3. Initial corp. designs software for marketing and consumer services applications. It has dropped from double digit to single digit growth over the previous three years. One of its customers introduced initial's owner to the owner of Risk Map, which design risk management software. Risk Map's owner would like to retire but is the company's lead designer, also on staff are two programmers who have been with the company since its inception ten year ago. Risk Map's business has grown every year with an average growth of 20 percent. Initial Corp. is considering acquiring Risk Map.

- a. Perform a strength, weaknesses, opportunities and threats (SWOT) analysis of initial corp's potential acquisition of Risk Map(5 Marks)
- b. Explain your concluding recommendation regarding this potential acquisition. (5 Marks) (CLO 3)

OR

A3. Matt is the risk manager for a well-known jeweler. the jeweler has retail stores in New York, log Angeles, Paris and London. it has recently started selling jeweler worldwide over the internet. Matt assembled a team to identify these key risks: data breach of customer credit information, employee theft, exchange rate risk, delivery delays and peak production demands during holidays. Design a risk register that priorities these risks. (10 Marks)

Section B

Case Study Compulsory

XYZ limited is an Airline company in India. It is only the company whose books was positive till last quarter in terms of profits. Cash Flow was positive and was building cash reserve to face any challenges. Its share price was at highest & its market capitalization is on all-time high. It was full - service network carrier operating domestic & internationally.

Due to heavy demand in airline traffic and old aircrafts, it has ordered many new aircraft and was replacing old aircraft with the new one. It has borrowed funds for new aircraft for which instalment is due in September,20.

Suddenly there arise a pandemic situation of virus in the country & across globe where virus had infected millions of people across globe & taken death of almost lakh of people. There was no medicine to cure such pandemic problem.

Due to spread of virus, all the airline was shut. It remained shut for almost 3 months. During these 3 months, Airline company revenue was almost Nil while it has to incur huge cost on salary payment. Its share price plunges suddenly by 40%. It had downsized its team of employees, delayed payment of staff and maintenance, deferred lease payment of aircrafts. However due to downsizing many talented employees left the company. Change the structure of Employee salary with 30% variable & balance fixed and gave employees leave without salary. Also, all its recoverable amounts from customers remained outstanding & it is facing cash crunch.

Now after 3 months, airlines have started working. However, it is going to take at least couple of years to come back to 50% of what they were before spread of pandemic both domestic & international operations.

If you recall the previous instance of 9/11 and what happened subsequent to that, it took a lot of time for the aviation industry to come back. It is not only how fast XYZ starts its normal operations but even after that visas not being allowed, travel not being allowed, airlines not being allowed. Even after all these are allowed, there will be apprehension. The first is the economic aspect.

Will people travel, either for leisure or on business? The answer is clearly no. It will take a long time for this to happen. Then the question is of people going out to destinations and being apprehensive. How many flights will you operate?

Also, a plane on the ground costs the airline enormously with 50% of them have been taken on lease. So even while they are on the ground the lease rentals are being paid. It is not only employees who are being unproductive but also the machines. So, both men and machines are taking a heavy toll.

Now when the flights are put back into operation, the concept of social distancing is be imposed by government on XYZ. It is only flying one-third of capacity & due to it fares are very high to sustain its operations.

India being a price-sensitive market. It is again witnessing era of the 1940s and the 1950s where only the elite could afford to travel.

Analyst believe that company will take at least take 5-6 years to revive itself.

Another important aspect which has come due to this pandemic situation is that lot of people have found alternative means of working, especially with videoconferencing & other digital platforms. So, it is going to be a major change as travelling will be less & will impact air traffic.

Questions: -

- 1.Explain type of risks which XYZ limited is facing apart from Pandemic situation in Risk Quadrant. (8 Marks)
2. Develop an event tree analysis for any of the two most significant risk. (6 Marks)
3. Explain the risk Treatment and Risk Financing approach for the company. (6 Marks)
