JUN 2025

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF BANKING AND FINANCE

FUNDAMENTALS OF RISK ANALYSIS AND MANAGEMENT (BS242)

DURATION: 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Answer any **four** questions.
2. All questions carry equal marks.
3. Non programmable calculators can be brought into the examination

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QUESTION ONE

With the aid of relevant examples, clearly describe the risk management process a bank can use in the Zimbabwean fragile economy.

[25 marks]

QUESTION TWO

a) State four (4) risks in each of categories:
   i. Business risks. (4)
   ii. Financial risks. (4)

b) Banking institutions continue to enhance and adopt sound credit risk management systems and internal controls to minimize potential non-performing loans against the background of a challenging operating environment, (Monetary Policy Statement 2022).Discuss this statement citing relevant examples. (17)

[25 marks]

QUESTION THREE

In view of evolving cyber threat landscape, outline the contents of a cyber-risk management framework that can be used by banks in the Zimbabwean financial sector.

[25 marks]

QUESTION FOUR

a) Distinguish between Asset based and Funding based liquidity risk. (10)

b) The Zimbabwean banking sector is faced with transitory deposits where customers are withdrawing their monies as soon as the money is deposited or account credited. Outline the measures that banks can implement to avoid potential liquidity risk. (15)

[25 marks]

QUESTION FIVE

a) You have been given the following information

Scenario	Probability (%)	Security A (%)	Security B (%)
Boom	0.3	20	-10
Normal	0.5	0	0
Recession	0.2	-20	45

Calculate and comment on the results of the following:

i. Expected return of the portfolio [5]

ii. Portfolio variance [20]

[25 marks]

QUESTION SIX

Bank failure in Zimbabwe and Possible solution in curbing non compliance

Interfin Bank

Interfin bank collapsed mainly due to high levels of non performing insider loans. The insider and related partly loans amounted to $90.6 million as at June 27 2015 with almost all the loans non – performing .It was ascertained that there was an erosion of capital through provisioning short fall of $44.32 million in 2012,which was a results of failure to cushion it from loses arising from bad and doubtful loans. There was an ineffective risk management process which led to a high rate of non-performing loans. This was coupled with the fact that some loans were advanced without security and had become difficult to collect. (Business weekly 07 July 2023)

a) In your own opinion explain how this bank failure could have been avoided. (12)

b) Discuss the measures which have been implemented by the Reserve bank of Zimbabwe to prevent further bank failures in the financial sector. (13)

[25 marks]

END OF EXAMINATION