



**UNIVERSITI TUN HUSSEIN ONN MALAYSIA**

**FINAL EXAMINATION  
SEMESTER II  
SESSION 2017/2018**

**COURSE NAME** : RISK MANAGEMENT  
**COURSE CODE** : BPF 32403  
**PROGRAMME** : BPD  
**EXAMINATION DATE** : JUNE / JULY 2018  
**DURATION** : 3 HOURS  
**INSTRUCTION** : ANSWER ALL QUESTIONS

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THIS QUESTION PAPER CONSISTS OF **THREE (3) PAGES**

**Q1** Risk management has become a critical issue that needs to be addressed by property developers to overcome the problem of property overhang. This is due to the inherent risks associated with property development which is further worsened by the impact of abandoned projects and financial burdens on individuals and financial institutions.

(a) Explain the meaning of risk and uncertainty in the context of property development.

(10 marks)

(b) Analyse the crucial stages in the property development process in which risks could be identified and managed by implementing risk management strategies so that the projects will not encounter problems during the later stages.

(15 marks)

**Q2** Risk impact assessment is an estimate of the potential losses associated with identified risks by assessing the probabilities and consequences of risk events if they are realised. It involves separating minor risks that may be acceptable from major risks that must be managed immediately.

(a) Illustrate risk impact in the form of a risk hierarchy.

(5 marks)

(b) Below are information on two different development appraisals, one with a lower land value and the other with a higher land value.

**Land A** (Land cost high in proportion to other costs)

Gross Development Value	RM10,000,000
Total costs (including finance)	RM 7,000,000
Land value	RM 3,000,000

**Land B** (Land cost low in proportion to other costs)

Gross Development Value	RM10,000,000
Total costs (including finance)	RM 9,000,000
Land value	RM 1,000,000

Assume three scenarios for the above appraisals:

- value and cost increase by same percentage
- value increases by 30%, cost by 10%
- value increases by 10%, cost by 20%

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Based on the information given above,

- (i) Perform a simple sensitivity test to examine the effect of changes in variables on the residual land value. (10 marks)
- (ii) Explain the results obtained from your analysis. (10 marks)

**Q3** Risk management is concerned with continuously managing the risk by planning an appropriate risk response and calculating the contingency that is required to deal with high exposure risks to help reduce their threat to projects.

- (a) Outline **TWO (2)** risk response planning strategies used in responding to risk events occurring over the course of a project. (10 marks)
- (b) Discuss the means by which the risk management process can effectively be adopted by organisations to mitigate the likelihood of risk occurrences in their organisations. (15 marks)

**Q4** Financial risk is associated with financing such as financial transactions that include company loans in risk of default, and which is usually referred to mean the potential for financial loss and uncertainty about its extent.

- (a) Explain **TWO (2)** characteristics of insurance as a tool in risk sharing and risk transfer. (10 marks)
- (b) Discuss the implications of **THREE (3)** types of financial risk retention techniques that could be used to manage financial risks. (15 marks)

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**-END OF QUESTIONS-**