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Universiti Tun Hussein Onn Malaysia

UNIVERSITI TUN HUSSEIN ONN MALAYSIA

**FINAL EXAMINATION
SEMESTER II
SESSION 2018/2019**

COURSE NAME : RISK MANAGEMENT
COURSE CODE : BPF32403
PROGRAMME CODE : BPD
EXAMINATION DATE : JUNE / JULY 2019
DURATION : 3 HOURS
INSTRUCTION : ANSWER ALL QUESTIONS

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

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Q1 (a) Risk Management is about identifying all risks to which an entity is exposed or might be exposed (which can be either financial or non-financial) and defining and implementing measures that will help to monitor, measure, manage and report these risks. Define the following based on the context of risk management.

- (i) Risk management process
- (ii) Risk avoidance
- (iii) Risk transfer
- (iv) Risk treatment
- (v) Uncertainty

(10 marks)

(b) Risk can mean that some danger or loss may be involved in carrying out an activity and therefore, care has to be taken to avoid that loss. There are a few risks associated with real estate investing which the property investor (whether an experienced or a new investor) should be aware of and know how to avoid.

Explain **FIVE (5)** major risks in real estate investment and propose how to avoid it.
(15 marks)

Q2 (a) Define risk manager and portfolio manager

(5 marks)

(b) Compare the differences between risk manager and portfolio manager.

(10 marks)

(c) Risk management techniques are used to identify, assess and plan responses to individual risks and overall risk. There are numerous different techniques available to assist in risk management. By applying the following risk management techniques, illustrate your decision to open a Starbucks franchise in Parit Raja, Batu Pahat, Johor.

(i) Ishikawa Diagram

(5 marks)

(ii) Decision Tree Analysis

(5 marks)

- Q3** (a) MS ISO 31000:2010 is identical with ISO 31000:2009, Risk management - Principles and guidelines, published by the International Organization for Standardization (ISO). MS ISO 31000:2010 is intended to be used by a wide range of stakeholders in Malaysia.
- (i) Define risk owner in the context of MS ISO 31000:2010 (2 marks)
 - (ii) Outline users in the context of MS ISO 31000:2010 (4 marks)
 - (iii) In short, explain MS ISO 31000:2010 all about. (5 marks)
- (b) Risk management is a critical component of real estate management. Summarize the benefits MS ISO 31000:2010 to real estate business. (14 marks)
- Q4** (a) The “Pleasure, Pain and Bailout” (PPB) principle developed by the late James A. Graaskamp provides a concise and intuitively appealing explanation of applied real estate risk management. Explain the following terminologies in this theory.
- (i) Pleasure (6 marks)
 - (ii) Pain
 - (iii) Bailout
- (b) Outline how this theory is applied in real estate risk management. (4 marks)
- (c) To develop a risk management program, real estate professionals should consider the full spectrum of internal and external risks to make sure all the bases are covered. With an appropriate diagram, present a classification system that illustrates three major levels of real estate risks. (15 marks)

- END OF QUESTIONS -