



UNIVERSITI
TEKNOLOGI
PETRONAS

FINAL EXAMINATION SEPTEMBER 2024 SEMESTER

**COURSE : GEB3233/GFB3233 - ENTERPRISE RISK
MANAGEMENT**
DATE : 6 DECEMBER 2024 (FRIDAY)
TIME : 9:00 AM - 12:00 NOON (3 HOURS)

INSTRUCTIONS TO CANDIDATES

1. Answer **ALL** questions in the Answer Booklet.
2. Begin **EACH** answer on a new page in the Answer Booklet.
3. Indicate clearly answers that are cancelled, if any.
4. Where applicable, show clearly steps taken in arriving at the solutions and indicate **ALL** assumptions, if any.
5. **DO NOT** open this Question Booklet until instructed.

Note :

- i. There are **SIX (6)** pages in this Question Booklet including the cover page .
- ii. **DOUBLE-SIDED** Question Booklet.

1. The purpose of engaging in business activities is to generate additional return above the risk-free rate for the capital invested. Nonetheless, generating return above the risk-free rate from business activities is a risky effort. Its success is not a certain matter.

a. Distinguish the concept of 'risk' from 'uncertainty'.

[5 marks]

b. Define the following risks:

- i. pure risk
- ii. speculative risk
- iii. systematic risk
- iv. diversifiable risk
- v. enterprise risk

[10 marks]

c. Analyze the difference in objective emphasis between single bottom line and triple bottom line perspective in undertaking business activities.

[5 marks]

2. Nowadays, the notion of sustainability has taken root in business management. The concept of sustainability can be aligned to the United Nation's 17 sustainable development goals (SDGs) and their managerial emphasis is manifested in corporations' environmental, social and governance (ESG) practices.

a. Define ESG practices.

[5 marks]

b. Explain how the ESG practices are related to a company's triple bottom line.

[5 marks]

c. Discuss how the ESG risks can impact corporations' business performance.

[10 marks]

3. The concept of enterprise risk management (ERM) emphasizes managing enterprise risk from holistic, enterprise-wide, integrated and strategic approaches within the business risk taking context.

- a. Analyze how ERM can become a strategic managerial approach to add value to corporation by comparing the silo versus holistic approach to managing and treating enterprise risk.

[10 marks]

- b. **FIGURE Q3** below depicts COSO's ERM framework in three dimensions, i.e. organizational objectives, ERM components and business organization levels.

Appraise the interrelationship of these three dimensions with their corresponding elements.

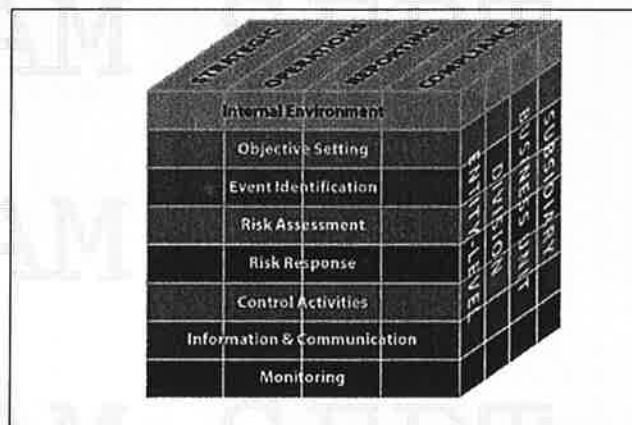


FIGURE Q3: COSO Enterprise Risk Management Framework

[10 marks]

4. The Murphy's law states that "Anything that can go wrong will go wrong". Many unexpected negative occurrences have adversely impacted the smooth running of business operations, hence causing huge monetary as well as non-monetary losses to organizations.

a. Explain the objectives of business continuity management (BCM).

[5 marks]

b. Develop the steps for implementing and maintaining a successful BCM program in organizations.

[10 marks]

c. Discuss **TWO (2)** business case examples where BCM would have mitigated the business disruption and negative repercussion from their occurrence.

[5 marks]

5. Enterprise risk management (ERM) framework can be theorized for the causal relationships of business risk that strategically associated with firms' business performance and cost of capital. ERM framework can be applied especially to the notion of managing firms' unsystematic (specific) risk that leads to the enhancement of shareholders' value as well as to meet other stakeholders' expectation.

a. Model how the Severity-Likelihood risk assessment matrix can be used to rank enterprise risks as well as to prioritize their risk management strategy.

[10 marks]

b. Discuss how ERM implementation can be a value-added managerial strategy for corporations in relation to the strategic risk premium theory and modern portfolio theory.

[10 marks]

-END OF PAPER-