



**ASSOCIATESHIP EXAMINATION**  
**ENTERPRISE RISK MANAGEMENT**  
**LEVEL II**  
**APRIL 2025**  
**[NEW SYLLABUS]**

N.B.

- 1) Read carefully the instructions on the cover of the answer booklet.
- 2) Answer the questions as follows:
  - a. SECTION A – THIRTY OBJECTIVE QUESTIONS, each question carries 1 mark. [Total: 30 marks]
  - b. SECTION B – TWO ESSAY QUESTIONS, each question carries 15 marks. [Total: 30 marks]
  - c. SECTION C – TWO CASE/SCENARIO BASED QUESTIONS, each question carries 20 marks. [Total: 40 marks]
- 3) **Time allowed: Three Hours**
- 4) **An additional 15 minutes of reading time is allowed at the beginning of the examination during which time candidates may write on this paper but NOT in the answer booklet.**
- 5) Candidates must ensure that they answer the questions in the appropriate answer booklets and not on loose sheets which may be used only as supplementary sheets. Such answers will be cancelled.
- 6) **DO NOT WRITE YOUR NAME ON THE ANSWER BOOKLET.**
- 7) **DO NOT OPEN THIS PAPER UNTIL YOU HAVE BEEN INSTRUCTED TO DO SO.**

## SECTION A – MULTIPLE CHOICE QUESTIONS

ANSWER ALL QUESTIONS. (EACH QUESTION CARRIES 1 MARK. TOTAL MARKS – 30)

1. The following statement is true about the importance of ERM *except* .....

- A. ERM allows better communication, monitoring and control with the engagement of the Board of Directors, Top Management, and various Risk Committees at Production Level.
- B. To make sure that companies are well prepared for any risks or uncertainties.
- C. To make improvements in terms of Human Productivity, enhance Customer Relationships and improve the company's Compliance Posture.
- D. Enable companies to understand the relationship between Risk and Value Creation.

2. Why may companies that have implemented ERM have possibly improved their business performance?

- I. Have a better understanding of the organisation's Risk Exposure
- II. Better understand the impact of changing external factors
- III. Assess more accurately the Risk / Return Trade-Offs of a particular decision
- IV. Align Strategy more closely with Risk Appetite

- A. I, II and III
- B. None of the above
- C. III only
- D. All of the above

3. Which one of the following describes Spam?

- A. Gathering information about a person or organization without their knowledge
- B. Performing an unauthorized, usually malicious, action such as erasing files
- C. Putting unnecessary load on the network by making copies of files.
- D. Sending unwanted bulk messages

4. How can internal and external events that have the potential to have a positive or negative impact on the company's Strategic Objectives be identified and evaluated?

- A. Examine the reliability and integrity of Financial and Operational Information

B. Evaluates the dynamic Principles of Risk and Reward in order to provide a relationship between Strategy, Performance, and Risk Management

C. Making a strategic decision that influences the organization's long-term future

D. Conduct a thorough examination of all Internal Controls

5. Which of the following is an effective way to protect yourself from Cybercrime?

A. Using the same password for all your online accounts

B. Clicking on suspicious links in unsolicited emails

C. Installing and regularly updating Antivirus Software

D. Sharing your personal information on unsecured websites

6. Which of the following is the first step in the Enterprise Risk Management process?

A. Risk Assessment

B. Risk Analysis

C. Risk Response

D. Risk Identification

7. What is Qualitative Risk Analysis?

A. Having a team brainstorming session with colleagues where all likely risks are listed for future action

B. Having a monthly meeting with Senior Managers of relevant Departments to discuss potential Risks relevant to them

C. Analysing the practicalities of an Evacuation Plan for everyone in a building in the event of an emergency

D. The process of identifying and prioritizing Risks for further action by assessing how likely they are to happen, and the potential impacts if they do.

8. What does a Risk Appetite refer to in Enterprise Risk Management?

A. The total number of risks faced by an organization

B. The willingness of an organization to take on and pursue risks

C. The financial impact of risks on an organization

D. The probability of risks occurring

**9. What is the key strategy for mitigating Environmental Risks?**

A. Strengthening anti-corruption measures

B. Enhancing employee welfare programmes

C. Transitioning to renewable energy sources

D. Focusing only on traditional risk controls

**10. Which of the following is an example of Phishing, a common Cybercrime?**

A. Installing antivirus software to protect your computer

B. Receiving an email that asks you to click a link and provide personal information

C. Backing up data to a secure external drive

D. Using a strong, unique password for each account

**11. What is a risk event in Enterprise Risk Management?**

A. An action taken to mitigate risks

B. The likelihood of risks occurring

C. A specific occurrence that may cause harm or loss

D. None of the above

**12. How does risk analysis contribute to decision-making in Enterprise Risk Management?**

A. By identifying risks

B. By evaluating the potential impact of risks

C. By developing risk response plans

D. By assessing risk events

**13. What is the purpose of risk appetite statements in Enterprise Risk Management?**

- A. To define the organization's Strategic Objectives
- B. To communicate the organization's Risk Tolerance
- C. To identify potential Risks
- D. To assess the likelihood of Risks

**14.** What is the purpose of Risk Appetite frameworks in Enterprise Risk Management?

- A. To Evaluate Risks
- B. To Identify Risks
- C. To Manage Risks
- D. To Set Risk Tolerance Levels

**15.** Which Governance Risk involves ensuring Ethical Conduct within an organisation?

- A. Pollution Management
- B. Bribery and Corruption
- C. Employee Turnover
- D. Community Relations

**16.** What is the relationship between Enterprise Risk Management (ERM) and Business Continuity Management (BCM)?

- A. ERM and BCM have the same approach and objectives
- B. They have no relationship
- C. ERM focuses on managing risks, while BCM focuses on maintaining continuity
- D. ERM and BCM are completely different concepts

**17.** What is the objective of an ERM initiative in the Financial Sector?

- A. To decrease shareholder value and efficiency
- B. To ignore risk-based advantage and exploit areas of high potential adverse impact
- C. To stabilize results and protect them from disturbances
- D. Focusing only on control and hazard risks

**18. What is the fundamental idea behind the ERM Approach?**

- A. Managing individual risks separately
- B. Taking a broader and more integrated approach to Risk Management
- C. Ignoring the relationship between risks
- D. Focusing only on control and hazard risks

**19. What is the intended impact of ERM?**

- A. Reducing efficiency and service delivery
- B. Creating shareholder value and enhancing Risk Reporting
- C. Increasing uncertainty and Risk Exposure
- D. Limiting the allocation of resources to business improvement

**20. What is the purpose of a Risk Register?**

- A. To identify all possible risks
- B. To facilitate ownership and management of risks
- C. To eliminate all risks
- D. To document only financial risks

**21. What is the difference between a Hacker and a Cybersecurity Professional?**

- A. Hackers only operate within legal boundaries
- B. Cybersecurity professionals must work within legal boundaries
- C. Hackers have special skills that cybersecurity professionals do not have
- D. Cybersecurity professionals must not have the same skills as hackers

**22. When do you carry out Risk Identification?**

- A. At the very start of a project.

- B. In the project planning phase.
- C. During the whole lifetime of a project.
- D. At the end of a project.

**23.** What is the definition of Corporate Governance?

- A. The process of making profits for shareholders
- B. The system of checks and balances for the best interests of stakeholders
- C. The enforcement of legal regulations in a company
- D. The hierarchy and internal controls in an organization

**24.** What does the term 'risk-aware culture' refer to?

- A. A culture that eliminates all risks
- B. A culture focused solely on Compliance
- C. A culture that promotes Risk Management Awareness
- D. A culture that ignores risks

**25.** What is a key feature of the ERM Approach?

- A. Managing Risks in isolation
- B. Recognizing Interrelated Risks
- C. Focusing only on Compliance Risks
- D. Evaluating risks without context

**26.** Which of these is a primary benefit of integrating ESG factors into Enterprise Risk Management (ERM)?

- A. Increasing short-term profitability
- B. Limiting Compliance to only Financial Regulations
- C. Enhancing Risk Identification and Assessment
- D. Ignoring Governance issues to focus solely on Environmental Risks

**27. How does ESG integration improve long-term Risk Management?**

- A. By prioritising profit over sustainability
- B. By mitigating long-term risks and adapting to regulatory changes
- C. By focusing only on short-term market trends
- D. By excluding social factors from business strategies

**28. Why is stakeholder confidence important in the context of ESG integration?**

- A. It decreases the need for innovation
- B. It reduces the need for regulatory compliance
- C. It enhances trust and access to capital
- D. It focuses only on reducing operational costs

**29. Which of the following is an example of an Environmental Risk?**

- A. Labour Strikes
- B. Board Diversity Issues
- C. Resource Scarcity
- D. Customer Satisfaction

**30. Which of these tools can help prioritise ESG Risks based on their likelihood and impact?**

- A. Financial Audits
- B. ESG Risk Matrices
- C. Marketing Surveys
- D. Quarterly Sales Reports

## **SECTION B – ESSAY QUESTIONS (ANSWER ANY TWO QUESTIONS)**

### **QUESTION 1**

a. In analysing methods used to manage uncertainty in organisations, compare the following approaches:

- i. Scenario Analysis
  - ii. Stress Testing
  - iii. Sensitivity Analysis (6 marks)
- b. Evaluate the strengths of each method. (9 marks)

**[Total: 15 marks]**

## **QUESTION 2**

How would you evaluate the essential components of an effective Risk Policy and their significance with reference to the following:

- a. The Risk Objectives, Risk Appetite, and Risk Tolerance? (6 marks)
- b. How these components in “Question a” above, contribute to a coherent and actionable Risk Policy? (9 marks)

**[Total: 15 marks]**

## **QUESTION 3**

- a. Analyze and compare three (3) different formats of Risk Reports presented at the Board Level in a Bank. (9 marks)
- b. Analyze the strengths and weaknesses of each format you mentioned in “Question a” above in conveying Risk Information to the Board. (6 marks)

**[Total: 15 marks]**

## **QUESTION 4**

Analyze the impact of Currency Risk on Central Bank's Foreign Exchange Reserves:

- a. Explain in detail and with **three (3) examples of** how Exchange Rate Volatility affects the value of Foreign Exchange Reserves. (9 marks)
- b. Explain and provide in detail **three (3) examples of** how Central Banks hedge against Currency Risk. (6 marks)

**[Total: 15 marks]**

## **SECTION C - CASE/SCENARIO BASED QUESTIONS (ANSWER ANY TWO)**

### **QUESTION 1**

#### **Case Study: Business Continuity Management in Allweather Bank**

The collapse of a systemically important financial institution, Platinum Capital Limited (PCL) in September 2013 had a significant impact on several banks, including Allweather Bank which at the time had huge exposure to the now defunct counterparty.

Allweather Bank was on 'life support' from the Central Bank for two (2) years after the collapse of Luckyman Brothers and is about weaning itself of the liquidity support from the Lender of Last Resort.

The collapse of PCL highlighted the importance of having robust Risk Management and Crisis Management Structures in place.

The Board has asked the Chairman of the Sub-Committee on Risk to task the Chief Risk Officer to come out with a comprehensive Business Continuity Management (BCM) Framework.

The Chief Risk Officer is very cost-conscious and is worried about the cost implications of implementing such a BCM Framework. He does not see the need for this investment and seems to be procrastinating about the Board directive.

a. As the CRO, in your meeting with the CEO, mention and briefly discuss five (5) key justifications for the importance of the BCM Framework to the CEO? **(10 marks)**

b. Name five (5) key elements you would like to see in a BCM Framework in order to position Allweather Bank to be resilient during any such crisis in future. **(10 marks)**

**[Total: 20 marks]**

### **QUESTION 2**

### **Case Study: Corporate Governance Failures in Seablue Bank**

Seablue Bank has gone through several challenges over the past three (3) years. The once solid bank and model for the Banking Industry in the country had new Directors in place of the old ones over a two-year period.

The Central Bank Examination Report for the past two (2) years highlighted a number of unethical practices by the CEO and the Executive Committee Members. For example, the Treasurer resigned two (2) months following the unearthing of certain deals from which he personally profited at the expense of the bank. The Treasurer pocketed GHS1.2 million from those deals and the Board failed to sanction him apart from allowing him to resign so that he can be paid his terminal benefits. It was later on discovered that one of the Directors was a close friend of the Treasurer and was aware of the fraudulent deals.

The bank foreclosed three (3) properties which were serving as collaterals for huge exposures in its books. One of the debtors confessed that he bribed the Relationship Manager and the Valuer to inflate the Market Values of the landed collaterals so that he could take a much bigger facility. The debtor said the Relationship Manager said he needed to book Large Ticket Loan Transactions since his annual bonus was related to the volume of loans booked in the year.

The Whistleblowing Policy has become redundant as a couple of whistleblowers had their promotion delayed by their Supervisors. The Board did not investigate the allegations made by the whistleblowers.

The Board's remuneration costs have almost quadrupled over the past two (2) years and the EXCO Members received incentives which were much greater than what their peers in the industry received.

The number of times the Central Bank imposed fines on Seablue Bank has increased significantly and the Compliance Team of the bank lacks the boldness to 'raise the red flag' where they should.

The Central Bank summoned the Chairman of the Bank and gave the Board a maximum of twelve (12) months to turn around the organisation culture and instill proper Corporate Governance Practices.

**Required:**

Discuss the Corporate Governance Failures of Seablue Bank since the new Directors came on board and what your recommendations would be to address the situation citing the following:

(a) Six (6) Corporate Governance Failures evident in Seablue Bank. **(12 marks)**

(b) Four (4) symptoms of bad Organisational Culture you identify in Seablue Bank.

**(8 marks)**

**[Total: 20 marks]**

### **QUESTION 3**

#### **Case Study: Risk Management in a Bank– A Balancing Act!**

Mr. Kofi Shooter took over as CEO of Evergreen Bank Limited (EBL) in 2020 and in two (2) years the Loan Book has grown by over 150%, making the bank largest in terms of assets.

Kofi certainly had an ambition – to grow Evergreen Bank to become the No. 1 bank in Profitability. He mobilised the Corporate Banking and Commercial Banking staff in the bank and assured them of his full support to grow the Loan Book. He set overly ambitious targets for the Frontliners and paid very juicy bonuses to those who met their targets.

He met the Head of Credit and his Team and assured them that if they would support him and the Business Units to grow the Loan Book he would award them attractive bonuses. Kofi lived to his promise as bonuses paid to staff of the Credit Department were the talk of the town in recent years.

In his first meeting with the Risk Management Team, he was blunt in telling them that he would not tolerate ‘showstoppers’ and if they did not cooperate with him to grow the Loan Book he would explore ways to make them redundant. He made this unfortunate statement: “the bank must make money to pay you Back-Office Staff, and how do you continue to get your salaries if you stop the transactions that bring money to the bank.” Upon the resignation of the CRO of the Bank a month after this infamous meeting, Kofi decided not to delay hiring a replacement and promoted one of the Credit Officers to assume that role.

The Central Bank examiners did an Asset Quality Review of EBL’s Loan Book as the regulator was concerned about the aggressive growth of the Loan Book of Evergreen Bank

in an era of economic volatilities, sharp depreciation of the local currency and high inflation trend.

The NPL ratio after the examination soared from 5% to 26.5% and Loan Provisions plunged Evergreen Bank Limited's Capital Adequacy Ratio to fall below the regulatory limit.

**Required:**

The Board of Evergreen Bank has asked you to do the following:

**(Your submission should address the fact that “Risk Management is a balancing act – there is a natural tension between the business lines and the risk control functions.”)**

a. Review the current Risk Management Structure in place and make **four** (4) appropriate recommendations that will help to regularize the bad loan book due to the excessive and unchecked loan growth over the period. **(8 marks)**

b. Recommend **six** (6) appropriate Enterprise Risk Management Practices that EBL must put in place to help regularize the Loan Book over time. **(12 marks)**

**[Total: 20 marks]**