1. Within an organisation, when attempting to manage and control risk, the organisation should be aware that
   A. consideration of risk perception is not required.
   B. consideration should be given to internal controls only.
   C. uncertainty must be taken into account.
   D. uncertainty need not be considered.

2. The Chief Risk Officer within a large manufacturing organisation has been asked by the Board of Directors to provide an example of a pure risk. A suitable example would be
   A. a fire occurring in a new manufacturing process line.
   B. entering into a contract to purchase a new factory.
   C. making a strategic decision that affects the long-term future of the organisation.
   D. the purchase of a currency derivative.

3. An insurer is reviewing its book of commercial insurance policies and is using probability theory to analyse claims data, which is based on the following information.

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<tr>
<th>Postcode area</th>
<th>Number of risks insured</th>
<th>Number of claims reported</th>
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From this information the insurer will deduce that the likelihood of future claims arising is greatest in which postcode area?
   A. EH.
   B. LS.
   C. M.
   D. N.

4. When applying probability theory to a specific period of time, a measurement of 0.85 indicates that the event
   A. is very likely to occur.
   B. may occur, but is impossible to predict.
   C. will never occur.
   D. will occur, but very rarely.

5. Which type of risks are characterised by a perceived lack of control and catastrophic potential?
   A. Delay risks.
   B. Dread risks.
   C. Man-made risks.
   D. Unknown risks.
6. An organisation following the Renn and Rohrmann structured framework should be aware that an individual’s risk perception is influenced by common sense, which is also referred to as
   A. collective reasoning strategies.
   B. emotional factors.
   C. knowledge of risks.
   D. personal identity and views.

7. How can the perception of risk by senior management typically have a fundamental effect on the future direction of a manufacturing organisation?
   A. It will determine which risk management tools are used in identifying risks.
   B. It will have a direct effect on the marketability of its products and services.
   C. It will influence the composition of its risk management committee.
   D. It will shape the organisation’s risk appetite and attitude towards risk acceptance.

8. How does a pure risk differ from a speculative risk?
   A. A pure risk always has an environmental cause whereas a speculative risk always involves human error.
   B. A pure risk can be measured in probability terms whereas a speculative risk cannot.
   C. A pure risk is not subject to regulatory control but a speculative risk always is.
   D. A pure risk only leads to the possibility of a loss, whereas a speculative risk may lead to a gain.

9. As part of an organisation’s risk management process, when considering risk and uncertainty, the risk team must be aware that
   A. risk assessment is the sole method of reducing uncertainty.
   B. risk can apply to both opportunities and threats to the organisation.
   C. uncertainty should always be considered completely separately from risk.
   D. uncertainty should only be considered when reviewing long-term objectives.

10. How did the large fluctuations in prices of many raw materials and commodities in the 1970’s influence the evolution of risk management?
    A. An increase in the use of captive insurers.
    B. Derivatives being used as a risk management tool.
    C. Financial institutions increasing their market and credit risk management services.
    D. The development of business continuity planning.

11. A key influence on the evolution of risk management theory in the 19th Century was based on
    A. calculating the standard deviation of a distribution around a mean.
    B. economists analysing the relationship between unemployment and interest rates.
    C. mathematicians collecting measurements to provide statistical data.
    D. placing a greater emphasis on the human element of decision making.
12. When considering risk management within a manufacturing organisation, what is a **key** benefit of conducting a detailed structured analysis of the entire organisation?
   
   A. It would allow the organisation to develop silo-based risk management techniques.
   B. It would identify all counterparty risks that affect financial stability.
   C. It would identify alternative production methods and remove all risks.
   D. It would uncover weaknesses and provide valuable information that can be used to improve processes.

13. Why is it important that an organisation attempts to measure the benefits of risk management in financial terms?
   
   A. It will improve the delivery of services to customers.
   B. It will ensure faster recovery from emergency incidents.
   C. It will quantify the level of internal and external resources that are required.
   D. It will record all electronic interventions to provide an audit trail.

14. Within a large global organisation, who has the **primary** responsibility of identifying individual risk owners and making sure appropriate risk control activities are carried out?
   
   A. Board of Directors.
   B. Chief Risk Officer.
   C. Risk Committee.
   D. Risk Manager.

15. In relation to a large organisation’s risk management process, what does the internal audit function typically have responsibility for?
   
   A. Helping to evaluate existing risk controls in specified areas of the business only.
   B. Preparing designated parts of an up-to-date risk register.
   C. Providing detailed assurance that risk management processes are effective.
   D. Setting detailed targets and objectives within the Board remit.

16. Within a large global organisation, the compliance function is **normally**
   
   A. autonomous and reports directly to the board.
   B. a part of the audit function only.
   C. a part of both the risk management and audit functions.
   D. a part of the risk management function only.

17. An organisation operates with separate and independent risk management, compliance and audit functions. The organisation’s board of directors should be aware that
   
   A. all costs will be reduced and more risks will be eliminated.
   B. holistic risk management processes will be more effective across the organisation.
   C. this is likely to create a more robust approach to managing risk.
   D. work will often be duplicated and costs will usually be increased.
18. A large organisation is assessing a risk using a typical risk management process and has just established and identified the risks to which it is exposed. What is **likely** to be the next stage in the process?
   A. Analysing risks.
   B. Eliminating risks.
   C. Evaluating risks.
   D. Treating risks.

19. One of the **primary** reasons that an organisation should monitor and regularly review its risk management process is to
   A. consider whether lessons could be learned for future management of risks.
   B. ensure that all significant risks are eliminated immediately.
   C. evidence that all risks are measured in financial terms only.
   D. evidence that an internationally-recognised framework is followed at all times.

20. A risk register has been produced for a large engineering company. What is a **key** difficulty of such a register?
   A. It is impossible to update it on a regular basis.
   B. It is likely to list only a very small number of risks.
   C. It may fail to take account of correlations between risks.
   D. Stakeholders must be consulted upon all risk management decisions.

21. What is a **key** consideration when designing an organisational risk register?
   A. All staff can update and accept new risks.
   B. All staff receive training on updating the register.
   C. It is always installed on a web-based system.
   D. The organisation’s risk profile is captured.

22. The ISO 31000 standard separates risk management areas into
   A. frameworks, processes and audit.
   B. principles, frameworks and compliance.
   C. principles, frameworks and processes.
   D. principles, processes and compliance.

23. Which risk management standard places a specific emphasis on internal risk controls?
   A. AIRMIC.
   B. COSO.
   C. FERMA.
   D. ISO 31000.
24. **One key** reason for a risk manager to review an organisational chart is to
   A. determine the extent of present and visible risks.
   B. determine the process of the delivery of services.
   C. establish a decision-making route.
   D. establish the potential impact of a possible risk incident.

25. A risk manager in an organisation is evaluating a risk and multiplies the probability of the risk occurring with the potential impact. The result of the calculation is the production of a risk
   A. appetite.
   B. control.
   C. factor.
   D. matrix.

26. In a manufacturing organisation, what is a fault tree **typically** designed to show?
   A. It evaluates the potential cost of a disruption.
   B. It identifies key personnel at each stage in the process.
   C. It identifies the likelihood of an interruption arising.
   D. It outlines possible solutions to potential interruptions.

27. A logistics manager for a supermarket chain identifies that there is a continual delay in the deliveries to stores. What is the **most appropriate** technique to identify the cause of the problem?
   A. Decision tree.
   B. Flow chart.
   C. Hazard and operability study.
   D. Physical inspection.

28. What **key** advantage does a Governance Risk and Compliance framework offer when compared to retaining separate and independent risk control functions?
   A. It can promote individual risk initiatives at working levels.
   B. It is easily introduced and quickly implemented.
   C. It places less reliance on risk decisions at board level.
   D. It provides a consolidated risk management function.

29. To comply with the UK Corporate Governance Code, to which body **must** all UK-listed companies provide information concerning solvency, liquidity, risk management and viability on an annual basis?
   A. The Financial Conduct Authority.
   B. The Financial Policy Committee.
   D. The Prudential Regulation Authority.
30. Where an insurance organisation has failed to keep up with new legislation governing its day-to-day activities, it **primarily** increases its exposure to
   A. compliance and regulatory risk.
   B. insurance and regulatory risk.
   C. liquidity and business risk.
   D. market and strategic risk.

31. A large organisation is assessing the financial strength of one of its customers. Which types of risk are being assessed?
   A. Credit and liquidity.
   B. Liquidity and legal.
   C. Market and strategic.
   D. Operational and credit.

32. Within an organisation, business risk can **typically** be categorised as the
   A. alleged or actual breach of contract between an organisation and counterparty.
   B. probability of a loss being inherent in an organisation’s operations and environment.
   C. risk of an organisation not being able to meet its financial obligations.
   D. uncertainty relating to the occurrence of an insured event.

33. Why can it be difficult for an organisation to categorise risks?
   A. Audit and compliance functions must always categorise risks differently.
   B. Risk categories are always applied differently across an organisation.
   C. There is no universally accepted definition of individual risks.
   D. Universal risk categorisations must always be used.

34. Understanding the potential causes of risk events will **primarily** help an organisation to
   A. comply with corporate governance standards.
   B. eliminate all risks.
   C. improve internal audit procedures.
   D. reduce the frequency of loss.

35. Where a large organisation uses enterprise risk management to create a framework to consider all risks affecting the organisation, this is **typically** known as
   A. a consolidated approach.
   B. connected methodology.
   C. a holistic approach.
   D. seamless methodology.
36. Which type of risk framework is expected to improve efficiency by aligning strategy, processes, technology and people?
   A. Controls, risk and supervision.
   B. Corporate, governance and control.
   C. Governance, risk and compliance.
   D. Supervision, audit and compliance.

37. When implementing an enterprise risk management (ERM) framework, a large organisation should be aware that ERM
   A. only allows for risks to be measured in financial terms.
   B. relies largely upon the analysis and evaluation of risks against criteria that are set by the Board.
   C. will always improve the competitive position of the organisation.
   D. will always require assessment of risk management processes from both internal and external auditors.

38. What is typically the day-to-day responsibility of a Chief Risk Officer within a large organisation?
   A. Ensuring that all key risks are adequately managed and reported.
   B. Preparing and maintaining individual insurance arrangements.
   C. Producing policies on compliance matters.
   D. Providing assurance that individual risk management processes are effective.

39. A train has crashed and is badly damaged. There have been numerous claims from injured passengers as well as a loss of revenue for the train operator. This is an example of
   A. risk aggregation.
   B. risk categorisation.
   C. risk probability.
   D. risk severity.

40. A key requirement for successfully implementing a governance risk and compliance framework within an organisation is for
   A. consistent terminology to be introduced across the organisation’s risk management and assurance functions.
   B. risk management and compliance functions to create individual risk management frameworks at all levels.
   C. risk management costs to be reduced when all risk events occur.
   D. senior managers to increase their risk tolerance.

41. An organisation will typically find that their insurance arrangements will exclude cover for
   A. consequential losses following natural disasters.
   B. credit risks.
   C. product liability claims.
   D. the value of their computerised database.
42. Insurance policies issued by a commercial insurer operating solely in the UK are directly governed under which Act?
   C. Insurance Act 2015.

43. A broker is undertaking a business interruption review on behalf of a client. This would most commonly include an evaluation of the
   A. effectiveness of a business continuity plan.
   B. effectiveness of risk reserving.
   C. level of risk tolerance.
   D. level of self insurance.

44. What is a primary benefit of a commercial customer self-insuring a risk?
   A. Claims costs will reduce.
   B. Controllability of risk will increase.
   C. Its short-term cash-flow position is likely to improve.
   D. Staff training requirements will decrease.

45. A large manufacturing organisation has renewed an insurance policy and has accepted a significant increase in the policy deductible. What is this most likely to indicate?
   A. Decreased risk avoidance.
   B. Decreased risk tolerance.
   C. Increased risk elimination.
   D. Increased risk retention.

46. For what primary reason could enterprise risk management (ERM) systems fail?
   A. ERM decisions are always ignored across a business when a top-down approach is used.
   B. Financial constraints could compromise the implementation of ERM systems.
   C. Management can never override ERM decisions.
   D. The use of ERM systems do not give the required assistance to risk managers.

47. What could a financial organisation make primary use of, to assess whether its risk management systems are likely to fail?
   A. Key control indicators.
   B. Key risk indicators.
   C. Silo-based risk management.
   D. Physical inspections.
48. A large organisation has entered into a surety arrangement using a counterparty to guarantee certain credit risks. The main risk to the organisation of the counterparty failing is that the organisation would
A. be liable for all future losses incurred on these credit agreements.
B. be responsible for all of the counterparty’s losses.
C. be unable to self insure these risks.
D. have losses limited to the premium paid only.

49. An engineering company is assessing the key risks faced within the manufacturing process. Although cover is in place for most of the potential losses that may arise, the company should be aware that
A. automated warnings will always eliminate human error.
B. the consequences of human error can never be insured against.
C. human error cannot be eliminated.
D. the use of physical barriers will always eliminate human error.

50. As a direct result of recent disasters in the oil drilling and exploration sector, for companies in this sector there has been an increase in
A. business continuity planning and the use of lower policy deductibles.
B. coinsurance and silo-based risk management.
C. governance, risk and control and self-insurance.
D. new regulations and safety controls.
### Specimen Examination Answers and Learning Outcomes Covered

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