

MOCK TEST PAPER
FINAL (NEW) COURSE: GROUP – II
PAPER – 6A: RISK MANAGEMENT

Time Allowed – 4 Hours

Maximum Marks – 100

CASE STUDY: 1

You have been recently appointed as Chief Risk Officer of a company which is in Steel Castings business. Name of the Company is ABC Electro Steel Castings Ltd. [in short, ABC].

You have been told that ABC is fully committed to strengthen its risk management capability on continuous basis in order to protect and enhance shareholder value. You have been told that the risk management framework ensures compliance with the requirements of amended Clause 49 of the Listing Agreement. The framework establishes risk management processes across all businesses and functions of the Company. These processes are periodically reviewed to ensure that the Management controls risks through properly defined framework.

You are also made aware that the Company has already undertaken an extensive Risk Management effort that includes introducing Risk Management Manual, compiling a comprehensive profile of the key risks to the Company, identifying key gaps in managing those risks and developing preliminary action plans to address those risks. This effort accomplishes the following goals:

- responds to the Board's need for enhanced risk information and improved mitigation plan;
- provides the ability to prioritize, manage and monitor the risk in the business; and
- formalizes the explicit requirements for assessing risks on an ongoing basis, including an effective internal control and management reporting system.

You are also given information that the Company uses raw materials to manufacture the steel castings. It is faced with the threat of pressure on margins on sales. To counter the threat, the Company has taken various steps which include backward integration which comprises coal mines and iron mines, and brownfield expansions, e.g. sinter plant, sponge iron plant, coke oven plant, power plant from waste head recovery. It also set up an R & D to expand its manufacturing capacities with a view to control costs.

You came to know that the Company is ISO-14001-2004 certified and is adhering strictly to the emission norms applicable for industry.

You are also told that with the thrust given by Government of India on water and water related projects and with the estimated growth in water requirement, the demand of DI Pipes is expected to grow substantially and the Company is confident of retaining its market share.

Labour relations have been excellent throughout the year in spite of number of unions. It is the result of such cordial and harmonious relations that not a single man-day has been lost in the last 8 years. The Company believes that labour relations will continue to remain excellent.

Descriptive Questions

- 1.1 In India SEBI casts a lot of responsibilities on Directors of a listed companies regarding Risk Reporting Explain. **(5 Marks)**
- 1.2 In case company plans to acquire any iron ore or coal mining company then what type of this merger will be called. **(2 Marks)**

- 1.3 Suppose ABC has received a proposal to acquire an iron ore in Goa at a price of ₹ 50 Crore. By this acquisition though there will be small reduction in the cost of raw material but the dependence on the outsider supplier will be reduced a lot.

The cash flow due to saving in costs and associated probabilities are as follows:

Year 1		Year 2		Year 3	
Cash Flow (₹ Crore)	Probability	Cash Flow (₹ Crore)	Probability	Cash Flow (₹ Crore)	Probability
14.00	0.10	15.00	0.10	18.00	0.20
18.00	0.20	20.00	0.30	25.00	0.50
25.00	0.40	32.00	0.40	35.00	0.20
40.00	0.30	45.00	0.20	48.00	0.10

You are required to evaluate expected Net Present Value and Standard Deviation of expected savings assuming cost of capital of ABC as 10%.

PVF at 10%, for 3 years = 0.909, 0.826 and 0.751

Show amounts in ₹ crore upto 3 decimal points.

(8 Marks)

Multiple Choice Questions

Choose the most appropriate answer from the given options:

- 1.4 Economic capital, in relation to a firm, is
- (A) the amount of capital stipulated in the law to commence business.
 - (B) the amount of capital needed to ensure the solvency for a given risk profile.
 - (C) the amount of working capital.
 - (D) None of the above
- 1.5 Phishing is
- (A) a fraud technique to get access to the; victim's computer systems.
 - (B) a technique to create a fraudulent transaction to benefit financially.
 - (C) a technique to encrypt the entire data on an individual or entity's computer system to ruin the business.
 - (D) a financial transaction that an organization performs outside its network
- 1.6 Risk culture requires.....
- (A) continuous efforts of communication
 - (B) building corporate memory
 - (C) shaping the right risk actions
 - (D) All of these
- 1.7 Risk Management framework must
- (A) cover the entire bank and branches through It enabled reporting system.
 - (B) enable the Bank to map the risk profile of customers and operation of the accounts on real time basis to enable detection of risk on timely basis.

(C) includes appointment of Risk Management Committee.

(D) All of the above.

1.8 Every unlisted company having a paid up share capital of ₹ 10 crore or more is not required to constitute a/an

(A) Audit committee

(B) Nomination and Remuneration Committee

(C) Risk Management Committee

(D) Suitable policy for training and performance evaluation of directors. **(2 x 5 = 10 Marks)**

CASE STUDY: 2

About the Company

ABC Limited is a public limited company incorporated in the year 2003. It has the registered head office in Bhubaneswar, Odisha. The Company has iron ore mines situated in five places in the State. The main business of the Company is extraction and sale of iron ore to many iron and steel industries both inside and outside states.

The Company has decided to diversify its business in trading of shares. Also, the Company is considering the possibility of setting up a Non-Banking Finance Company. For these purposes, the Company is in the process of doing feasibility studies.

Risk Manager

The Company has approached you, being a senior Risk Manager to look into the proposals. The role performed by you would include:

- To gather regular risk management related information from external and internal sources.
- Identify the problems and provide possible solutions to the various issues arising in the risk management.
- To effectively manage specific risk circumstances.
- To monitor the risk of Anti-Money Laundering (AML).
- To monitor the investment portfolio and to analyse the unfavourable movements.
- Advise and make recommendations to the management in the matters of identifying the risks and quantifying the same.
- Help the management in designing and implementing various risk management strategies and their related processes in the banking & investment portfolio and to suggest improvements.
- Get updated with the advances happening in the relevant software technology.
- Have a detailed understanding and knowledge of the credit, operational and market risks of the portfolio and also the software tools used to assess them.
- Understand and reduce the exposures in financial risks by using strategies such as hedging, credit default swap, insurance etc.
- Proactively analyse the market trends for finding out opportunities in expanding the portfolio.
- Adhere to various laws, procedures relating to the financial operations.

- Gather various information relating to the operations of NBFC in India including credit risk management and the underlying Guidelines of RBI with respect to capital adequacy norms, provisioning etc.

Required by the Risk Manager

In order to have a better understanding of the risk factors involved thereon, the Risk Manager needs a better understanding on the following issues:

- The purchase order for a script would be authorised by a manager. The risk manager is bothered about authorising the order for a wrong script, instead of the intended one by the manager. Thus, he is interested to learn the controls placed and if any weakness is found he wants to strengthen the same.
- A machine learning program dynamically responds to change in data / situation by changing the rules that govern the behavior and the algorithm "learns" from new data inputs and gets better over time. The risk manager tries to explore the possibility of employing a new software towards the same.
- Calculation or measuring the loss in the value of the portfolio in a given period of time for a distribution of historical returns.
- The risk manager is interested to find out as to how the portfolio would fare during the period of a financial crisis. He is also interested to build the stress testing capabilities and to explore the ways of using them to meet the broader risk management and business objectives.
- The rules and regulations existing in a foreign country and also the risk factors involved with reference to the investment climate of that country that are to be considered before buying shares of a foreign company.
- While applying for a bank loan for the expansion of the portfolio, the parameters of credit risk that the bank might consider and also the credit scoring model that might be applied by the bank, while approving such loan to the company. The Company would be offering some of its immovable properties as collateral to the proposed loan with the bank.
- The certainty equivalence is a guaranteed return that the management would accept rather than accepting a higher but uncertain return. The risk manager would like to explore the possibility of "certainty equivalent" technique.
- Effectively employing big data analytics in analysis of various transactions to study the patterns of investments and also the possibility of using block-chain technology in ensuring the veracity of the transactions.

Descriptive Questions

2.1 You are required to comment whether Business Continuity is an integral part of Operational Risk Management. **(10 Marks)**

2.2 Why Operational Risk originates. Explain. **(5 Marks)**

Multiple Choice Questions

Choose the most appropriate answer from the given options:

- 2.3** Which is not a drawback of Scenario Analysis?
- Assumes that the scenarios are equally probable
 - Subjective in deciding how serious the risks are
 - Implausible losses might be considered
 - Considers the correlations between the risk factors

- 2.4 Which one of the following helps to related characteristics of an event to the probability and severity of the operational losses?
- (A) Monte Carlo Simulation
 - (B) EWMA Model
 - (C) Statistical Analysis
 - (D) Factor or Casual Analysis
- 2.5 Standard Operating Procedure is a set of
- (A) documents that guides operation of the hotel.
 - (B) procedures listing dos and don'ts.
 - (C) documents laying down policies and procedure to be followed in operation of the hotel.
 - (D) documents that lay down controls to be instituted.
- 2.6 The purpose of risk evaluation is to do the following. Which one of the following is not essential?
- (A) Identify probabilities of failures and threats.
 - (B) Calculate the exposure i.e. possible damage or loss.
 - (C) Make control recommendations keeping cost-benefit analysis in mind.
 - (D) Get consensus from all concerned.
- 2.7 Technique involving acceleration of payments of hard currency and delaying payments of soft currency payables to hedge forex exposure is called
- (A) Netting
 - (B) Managing Blocked Funds
 - (C) Leading and Lagging
 - (D) None of these

(2 x 5 = 10 Marks)

CASE STUDY: 3

ABC Ltd. is a Delhi based company. It was established in 2009 and deals in the manufacturing business of high-end electronics distributed through retail superstore. The company is currently going through a rapid growth phase. Its products are receiving good response from the market. The company is experiencing the challenges of retaining good sales employees and developing an efficient financial system. Ravi Narain is the CFO of the company.

ABC Ltd. has an outdated computerized accounting system which does not look out the changes made after the month end.

ABC is looking to develop a more effective and efficient financial system and considering implementing an incentive plan for sales employees who are currently paid a flat salary.

ABC Ltd has a turnover of ₹ 800 crores in 2016-17 and was listed on Indian Stock exchange in 2014. Ajay and Pawan are the newly appointed directors of Finance and Human Resource divisions respectively.

Ajay is a street smart finance professional and he played a critical role in the areas of budgeting and forecasting, finance and asset management. He has a team of 25 people including Jatin and Mohit who directly reports to Ajay.

In spite of a limited salary, Ajay maintains a lavish style of living. Jatin maintains the journal entries according to Ajay's directions. One day HSBC bank notified Ravi Narain that Ajay's personal credit card balances were being paid off by ABC's account. Since, Ravi Narain was busy for Board Meeting confirmed that this might be reimbursement of his Travelling Expenses.

Jatin records the internet sales from the company's retail outlet as well as carries out following functions:

1. Reconciliation of accounts receivable sub-ledger to general ledger
2. Mailing checks to vendors
3. Coding and recording of cheques received for deposit

Ravi normally never reviews financial details as he trusts Ajay.

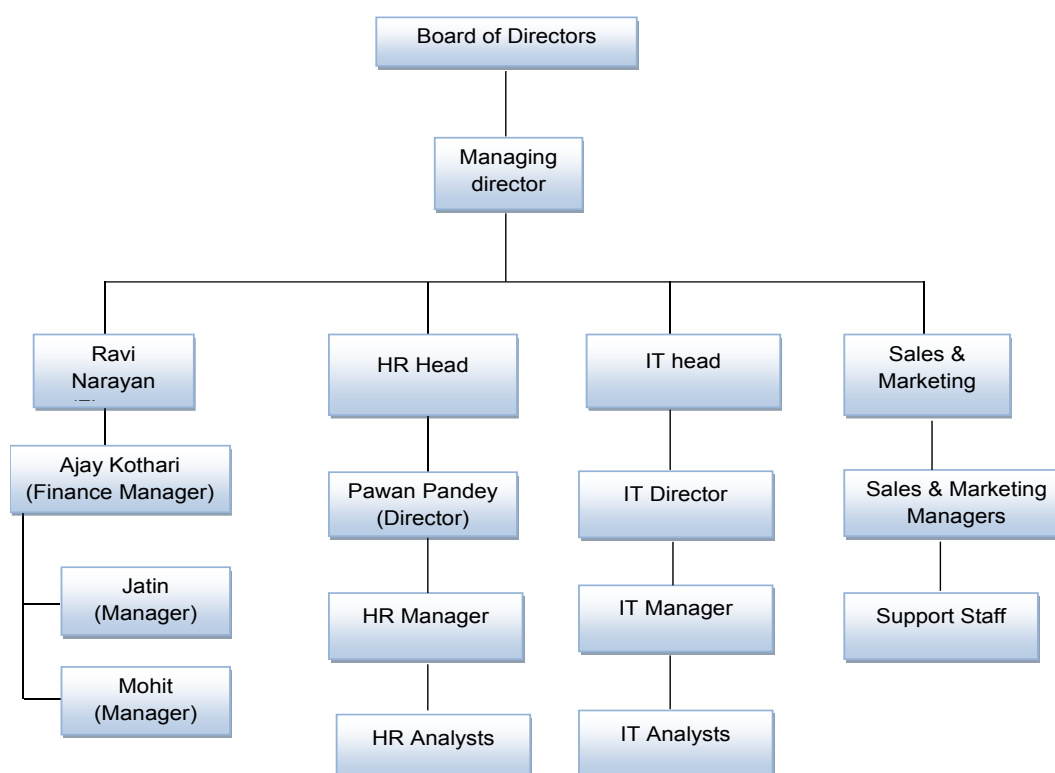
On the Human Resource front, to overcome the problem of retaining the sales employees, the company has recently hired Pawan as the HR director who is known for developing good HR policies to manage people effectively and motivate them to perform well.

Pawan advised the management to implement a compensation plan of base salary and bonus instead of fixed monthly salary. Sales incentive compensation is based on the performance of sales employees. The performance can be measured by looking at the revenue they generate for the employees. The management liked the proposal advised by Pawan and the compensation plan is finalized which was as follows.

Base Salary: 35,000/month

Commission: 5% of Sales exceeding 10,00,000/month + 5% extra commission on sales made over and above 20,00,000/-

Consequently, the present organization structure comes out as follows:



After passing some time, the Board of Directors started realizing that the company is facing liquidity crunch. Also, the introduction of new compensation plan resulted in unhealthy competition among employees.

Some employees were less willing to provide assistance to struggling co-workers and would prefer to improve their own productivity. It also promoted an environment of excessive risk – taken by the sales employees for pursuing short term profits.

The company has a system of identification of risk but only at the functional level and not for processes. Further these Risks are not communicated among various organization levels.

Descriptive Questions

- 3.1 Suppose you have been appointed as Risk Consultant and you have been asked to carry out independent assessment of the Risk Governance Framework. Explain how you will carry out this assessment. **(10 Marks)**
- 3.2 Explain the limitation of Value at Risk (VaR). **(5 Marks)**

Multiple Choice Questions

Choose the most appropriate answer from the given options:

- 3.3 More risk in a project can be incorporated by decreasing
- (A) estimated future cash inflows from the project
 - (B) initial investment in the project
 - (C) required rate of return of the project
 - (D) internal rate of return of the project
- 3.4 Bad credit history has the impact on borrower's future. A BCO score is a powerful measure of the creditworthiness as a lender might refer. If FICO score is 750, the chance of default is
- (A) 1%
 - (B) 2%
 - (C) 8%
 - (D) 61%
- 3.5 The following one is not the property for a coherent risk measure of
- (A) Subadditivity
 - (B) Homogeneity
 - (C) Monotonicity
 - (D) Monatomicity
- 3.6 The Delphi technique is a method which involves getting opinion on a process.....
- (a) from an individual
 - (b) from a group of individuals
 - (c) from Regulator
 - (d) None of the above
- 3.7 Risk based Internal Audit is effective in
- (a) pointing out the deficiencies in operations.
 - (b) identifying various risks beforehand and helps in remedying the situation.
 - (c) better monitoring of the system including review of SOP's thereby leading to better efficiency in operation.
 - (d) All of the above
- (2 x 5 = 10 Marks)**

CASE STUDY: 4

Peoples Co-operative Bank Limited is a leading cooperative Bank headquartered in Bangalore.

The Bank has 39 branches located at various places in the City. It is a well established bank existing since the year 1925 and is known for its ethical business practice and safeguarding of stakeholders' interest since inception. Board of Directors consist of eminent persons in public life and includes nominees from the Government of Karnataka. The Bank also supervises operations of few other cooperative banks in Semi

Urban and rural areas. One of the main portfolios relating to advances is Agricultural Loan and advance to Sugar Mills. Management of the Bank is headed by Managing Director supported by key executives at various levels including Branches.

Financial performance of the Bank is summarised in the following table-

(₹ in lacs)

No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1	Share capital	23901.93	28222.33	41894.33	44511.02	49730.42
2	Reserves	64417.52	67883.01	71233.73	74849.42	82775.63
3	Deposits	711915.40	720147.66	736379.49	915142.35	951116.29
4	Borrowings	643928.70	619369.39	745510.46	643297.50	695172.29
5	Investments	459656.97	434654.68	353338.29	374970.06	341310.22
6	Loans & Advances	930284.53	950687.45	1077472.61	1091733.01	1204189.79
7	Gross Profit	7789.00	7023.08	6784.75	13344.06	18989.96
8	Net Profit	3030.00	3145.00	3300.00	3425.00	5000.00
9	Working Capital	1218827.40	1219020.35	1440603.51	1607606.96	1813067.88
10	Gross NPA	3.77%	3.25%	2.25%	4.39%	4.31%
11	Net NPA	2.37%	1.72%	0.91%	2.66%	2.41%

Deposits of the Bank include Term Deposits, Current account and Savings Bank Account.

Advances include Agricultural Advances, Consortium Advances, Advances to Sugar Mills, Housing Loans, Advance against securities like Shares/ Gold/ NSC's/ FDs/ Site advance/ Educational Loans, Personal Loans, Professional Loans, Retail advances, Self employment loans, cash credit facility etc.

Besides these, the Bank also offers services like Issue of Bank Guarantee, Safe deposit lockers, and allied services.

The Bank comes under the supervision of RBI and needs to report on various aspects relating to operation to RBI periodically. Bank is also required to put in IT systems in compliance with RBI Guidelines covering entire area of operations including monitoring of operations on day to day basis, reconciliation of transactions and closing each day, interbank reconciliations, inter branch reporting etc.

Reserve Bank of India has issued detailed guidelines on implementation of IT systems dating from 2013 to 2019 covering several areas of operation culminating in a master Notification on Comprehensive Cyber Security Frame Work for Primary (Urban) Cooperative Banks dated 31st December, 2019 including appointment of Risk Management Committee. Board must consist of Professionals drawn from Banks, Accountancy, and Legal etc.

Source- RBI

Bank had invested in IT systems to take care of their needs and ensure control over operations at Head Office and Branch Level on day to day basis. With exponential Growth in size and need to comply with RBI Circulars and reporting requirements besides the Management desires to expand operations to Mobile Banking, Net Banking, ATM operations etc. there is a need to put in place a robust IT System in place which will take care of future requirements and meet the Cyber Security Framework to be in place by 2021. Bank is also keen to put in sound Corporate Governance Structure.

Descriptive Questions

4.1 How Random Loss is measured in banking transactions and what are the factors that affects the Credit Risk. (9 Marks)

4.2 What are the ground rules to assess the credit risks of customer. (6 Marks)

Multiple Choice Questions

Choose the most appropriate answer from the given options:

- 4.3 OECD has developed set of principles for better corporate governance. The principle of Disclosures and Transparency would NOT include
- (A) Overseeing the process of disclosure and communications
 - (B) Foreseeable risk factors
 - (C) The financial and operating results of the company
 - (D) Company Objectives and non-financial information
- 4.4 Risk measures are expected to correctly reflect diversification effects and facilitate effective decision making. This is achieved in
- (A) Stress testing measures
 - (B) Coherent risk measures
 - (C) Full revaluation methods
 - (D) VaR conversion methods
- 4.5 Instance of non-payment of income-tax on the due date would be most likely to show that
- (A) the risk appetite of the firm is lower than its risk capacity.
 - (B) the firm has taken an internal risk.
 - (C) the firm has considered it as a residual risk.
 - (D) the risk appetite of the firm is higher than its risk capacity.
- 4.6. The following is not one of simplest techniques for country risk assessment to rank the countries:
- (A) Numeral Coding Method
 - (B) Colour Coding Method
 - (C) Event Driven Method
 - (D) Taxation Method
- 4.7 Which of the following is not an Internal risk?
- (a) Economic factors as price fluctuations, changes in consumer preferences, inflation, etc.
 - (b) Technological factors unforeseen changes in the techniques of production or distribution resulting into technological obsolescence etc.
 - (c) Physical factors such as fire in the factory, damages to goods in transit, etc.
 - (d) Human factors as strikes and lock-outs by trade unions; negligence and dishonesty of an employee; accidents or deaths in the factory etc.
- (2 x 5 = 10 Marks)**

CASE STUDY: 5

TW Ceramics Limited was incorporated under the Indian Companies Act, 2013 to manufacture fine bone china table ware like dinner sets, tea sets, mugs etc. as Export Oriented Unit. The Company was promoted by a big industrial house having diverse interests in various areas ranging from power production and distribution, heavy engineering, hospitality etc. It was a first time venture for the group who had no prior experience in such area. The group is well established and enjoys tremendous brand image not only in India but all over the world. Each Company under the Group is headed by professional managers at key levels and Board of Directors consists of well-known persons with years of experience in their field. MIS systems were robust and helped in periodical review and decision making. All Group Companies were governed by a consolidated Company under governing council headed by very well-known professionals.

Exhibit-1

TW Ceramics Limited was a subsidiary Company of one of the Group Company and majority of the shares were held by the holding Company. The company decided to establish its facility in Export Promotion Zone in close proximity to port to facilitate easy export of products. Besides this, all inputs are allowed to be procured duty free subject to fulfilment of export volume equal to 75% of production.

Exhibit-2

TW Ceramics Limited decided to seek financial and technical collaboration from well known brands located abroad since local units did not have the requisite technical expertise and quality required to meet global standards. Idea of going in for financial collaboration together with technical collaboration was to ensure interest of the foreign collaborator in the project. Accordingly, holding company (Promoter of TW Ceramics Limited) held 70% of the equity shares thus retaining controlling interest and balance 30% was allotted to the foreign entity after obtaining necessary approvals. Brands which enjoyed global reputation for tableware are Wedgewood and Royaldowton based in UK and Noritaki based in Japan. Products of these Companies are of Premium quality and commanded high price in global markets and hold close to 70% of global market among themselves.

After due diligence and discussions collaboration agreement was executed between Wedgewood and the Holding Company on behalf of TW Ceramics Limited. As per the agreement, holding Company will execute the project using its resources and manpower with technical input from Wedgewood. Among other things agreement provided for-

- ◆ Experts in erecting and commissioning facility to manufacture products for global markets will be stationed in the factory and they will be responsible for ensuring inspection of equipment imported including plant and machinery, advice on equipment selection, erection, lay out as per international standards.
- ◆ Commissioning of the unit and ensuring quality in production by stationing their technical and production person.
- ◆ Training of local managers in production, quality and technical aspects at their facility in UK.
- ◆ Initial assistance in Marketing of the product in overseas markets till local people can take over.
- ◆ All expenses in connection with deployment of expats will be the responsibility of TW Ceramics Limited.
- ◆ Wedgewood will also provide all drawings and technical support for the project for which they will be paid technical fee.
- ◆ In addition, they will assist in procurement of imported China clay till local sourcing is done.
- ◆ Commission of 5% will be paid on products sold through Wedgewood.
- ◆ All other aspects including Commercial. Local procurement, finance, legal, import export matters and all clearances required will be the sole responsibility of TW Ceramics Limited who will execute the project by deploying its manpower.
- ◆ Total project cost was pegged at ₹150 cr including all investments, project expenses and margin for working capital.

Exhibit-3

Execution of project was undertaken by Managers deputed from Holding Company and required man power in critical areas was appointed locally. Despite the backing of Group with manpower and money, the project suffered delays on all fronts and cost overrun was inevitable. The technical team deputed by Wedgewood

was found wanting in areas of expertise and it was evident that they did not possess the knowledge or skills required. Added to this the local team did not have any knowledge about the industry or the product and relied heavily on the expats.

In anticipation of production commencing, management recruited the core team and manpower. This was not a wrong move since the company wanted its people to be ready on all aspects of managing the operations and also get required training to man production, procurement, quality and other aspects since these cannot be learnt on the job.

The required technical training at the factory of Wedgewood did not take place despite repeated requests. Since project was already delayed and had to be commissioned to meet norms of Export Processing Zone, production was started by local team under the guidance of expat manager who had joined the company as per agreement. It was decided that the technical team will undergo required training under him. Further delay in commissioning the project would have meant losing all the benefits including duty saved on imported equipment with attendant consequences. Ultimately, by the time project started operations cost overrun was 30% over and above the estimate of ₹150 cr . Initial funding was done as follows-

	Rupees in Cr.	Rupees in Cr.
Equity		
- 70% Holding Company	35.00	
- 30% Foreign Collaborator	<u>5.00</u>	50.00
Term loan		<u>100.00</u>
	Total	<u>150.00</u>

Cost overrun on the project meant that holding Company was required to bring in more money since the ultimate project cost came to ₹195 cr and Bank was sceptical in funding and demanded more to be brought by the promoter whose resources were strained due to funding and meeting interest obligations on the loan already availed.

Exhibit-4

Wedgewood went back on its commitment on initial marketing citing quality issues to market the products in overseas markets. This meant that TW Ceramics were required to look for marketing and sales support from day one which was not anticipated. Group had its own marketing arm which looked after export markets for various products manufactured by the group. They were roped in to do the marketing of the product. They did not possess required knowledge about the new product which spelt more problems for TW Ceramics Limited. TW Ceramics were forced to obtain special permission from Commissioner Under25% window to sell the product locally. This permission came with riders and. Added to this the first lot of export of one million mugs were rejected by the consignee due to wrong pasting of decal and damages amounting to One million dollar was slapped on the Company.

Top Management of the group did not want things to drift anymore and stepped in to stem the rot. They decided to undertake a thorough investigation into the happenings and fix responsibility before deciding on further course of action since the reputation of the Group was at stake.

Descriptive Questions

- 5.1 Explain various internal techniques to manage Foreign Exchange transaction exposure. (10 Marks)
- 5.2 Can there be a single strategy possible which is appropriate to all businesses to manage the foreign exchange rate risk. Explain. (5 Marks)

Multiple Choice Questions

Choose the most appropriate answer from the given options:

- 5.3 ABN-Amro Bank, Amsterdam, wants to purchase ₹ 15 million against US\$ for funding their Vostro account with Canara Bank, New Delhi. Assuming the inter-bank, rates of US\$ is ₹ 51.3625/3700, what would be the rate Canara Bank would quote to ABN-Amro Bank? Further, if the deal is struck, the equivalent US\$ amount would be
- (A) US\$ 2,92,041.86
(B) US\$ 2,94,041.86
(C) US\$ 2,91,999.22
(D) US\$ 2,93,999.22
- 5.4 Which one of the following that a company would LEAST likely choose as a common risk management objective when framing the risk management approach?
- (A) Enhance the level of risk maturity
(B) Allocate capital more efficiently
(C) Build safeguards against earnings-related surprises
(D) Achieve a better understanding of risk for competitive advantage
- 5.5 While taking a decision, the category risk profile bucket that would most likely to escape attention of the Management is
- (A) High Impact-Low Probability
(B) Low Impact-Low Probability
(C) High Impact-High Probability
(D) Low Impact-High Probability
- 5.6 Annual Report of the Board of Directors must include a statement indicating the development and implementation of a risk management policy for a company. This is mandated by
- (A) SEBI through 'Issue of Capital and Disclosure Requirements Regulations
(B) Information Technology (Amendment) Act, 2008
(C) Companies Act, 2013
(D) Prevention of Money Laundering Act, 2002
- 5.7 Governance risks mean significant deficiencies that can impact the reputation, existence and continuity of the organization. Such deficiencies would NOT occur because of
- (A) Inappropriate practices adopted by the Board
(B) Inability of the Board to identify trivial risk facts that can impact business continuity
(C) Failure of the Board to direct and control the organization
(D) Collusion of management to override significant internal control mechanism causing financial losses
- (2 x 5 = 10 Marks)**