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Objective:

1. To gain knowledge and an insight into the spectrum of risks faced by businesses and to learn techniques of managing risks.

2. To build capability for applying such learning to address risk related issues in real business scenarios.

Contents:

1. INTRODUCTION TO RISK
   - The Concept of Risk
   - Risk and Uncertainty : Distinction
   - Classification of Risks
   - Dynamic Nature of Risks
   - Types of Risk (illustrative list)
     - Strategic and Operational Risks
     - Business Risk
     - Financial Risk
     - Information Risk
     - Liquidity Risk

2. SOURCE AND EVALUATION OF RISKS
   - Identification and Sources of Risk
   - Quantification of Risk and various methodologies
   - Impact of Business Risk
   - Identify and assess the impact upon the stakeholder involved in Business Risk
   - Role of Risk Manager and Risk Committee in identifying Risk
3. RISK MANAGEMENT
   • Concept of Risk Management
   • Objective and Process of Risk Management
   • Importance of Risk Management
   • Risk Management techniques

4. EVALUATION OF RISK MANAGEMENT STRATEGIES
   • Risk Management Strategy alignment with Business Strategy
   • Internal Control environment and linkages with Risk Management
   • Risk Culture and attitudes to risk management
   • Integrated Risk Reporting and Stakeholder responsibilities
   • IT Risk Management – Disaster Recovery

5. RISK MODEL
   • VAR
   • Stress Testing
   • Scenario Analysis
   • Country and Sovereign Risk Models and Management

6. CREDIT RISK MEASUREMENT AND MANAGEMENT
   • Understanding the component of credit risk
   • Evaluating credit risk
   • Mitigating Credit risk
   • Qualitative and Quantitative techniques to manage risk
   • Credit scoring models

7. RISK ASSOCIATED WITH CORPORATE GOVERNANCE
   • Evaluation of Risk Associated with Governance
   • Description and evaluation of framework for Board level consideration of risk
   • OECD Guidelines for Corporate Governance

8. ENTERPRISE RISK MANAGEMENT
   • Definition, Scope and Techniques
9. OPERATIONAL RISK MANAGEMENT

- Definition, Scope and Techniques

Following topic are covered in the paper of Financial Management (Paper 7 Part I, Intermediate Level) and Strategic Financial Management (Paper – 2, Final Level) also forms the part of the syllabus

- Risk Management in Investment Decisions
- Foreign Exchange Risk
- Interest Rate Risk
BEFORE WE BEGIN …

Revised Scheme of Education and Training: Bridging the competence gap

The role of a chartered accountant is evolving continually to assume newer responsibilities in a dynamic environment. There has been a notable shift towards strategic decision making and entrepreneurial roles that add value beyond traditional accounting and auditing. The causative factors for the change include globalisation leading to increase in cross border transactions and consequent business complexities, significant developments in information and technology and financial scams underlining the need for a stringent regulatory set up. These factors necessitate an increase in the competence level of chartered accountants to bridge the gap in competence acquired and competence expected from stakeholders. Towards this end, the scheme of education and training is being continuously reviewed so that it is in sync with the requisites of the dynamic global business environment; the competence requirements are being stepped up to enable aspiring chartered accountants to acquire the requisite professional competence to take on new roles.

Introducing “Electives”: Significant feature of the Revised Scheme of Education and Training

In the Revised Scheme of Education and Training, the concept of electives is being introduced at the Final level in line with the school of thought that specialisation is the key to developing professionally competent chartered accountants. As per this school of thought, an emerging chartered accountant has to be geared up to assume new roles as consultants and advisors, necessitated on account of growing business complexity, dynamic changes in legislations and regulatory requirements and client expectations.

The seven core papers, namely, Financial Reporting, Strategic Financial Management, Advanced Auditing and Professional Ethics, Corporate and Economic Laws, Strategic Cost Management and Performance Evaluation, Direct Tax Laws and Indirect Tax Laws, represent the competence areas in respect of which an aspiring chartered accountant has to be technically well equipped, regardless of his intended future specialization or role. These subjects, in fact, provide the base to enable an aspiring chartered accountant to specialize in any professional accounting role. For instance, the core paper on direct tax laws and international taxation lays the foundation for further specialisation in the area of international taxation. Further, consequent to borderless economies, it has become imperative that subjects which transcend the borders be added in the curriculum, for instance, Global Financial Reporting Standards and International Taxation.

The six elective papers introduced in the Revised Scheme are Risk Management, Financial Services and Capital Markets, International Taxation, Economic Laws, Global Financial Reporting
Standards and Multi-disciplinary case study. Students have to opt for one out of these six papers keeping in mind their desired area of specialization.

### Framework and brief introduction of chapters

The study material of Elective Paper – Risk Management is prepared by mentioning the current scenarios in the Risk Management wherever required. The chapters are prepared in such a manner so as to give the readers an insight into the Risk Management presently operating in India and abroad. Similarly, students will also get familiarized with the various concepts of Risk Management. In the chapter, Risk Model, some of the new concepts currently in vogue have been introduced such as VAR, Stress Testing, Scenario Analysis and Country and Sovereign Risk Management. Similarly, in the Chapter, Credit Risk Measurement and Management, certain interesting topics such as evaluating and mitigating credit risk, Qualitative and Quantitative techniques to manage risk, Credit Scoring Models has been lucidly explained.

Corporate Governance plays an important role in the arena of Risk Management in India. Therefore, the chapter ‘Risk Associated with Corporate Governance’ has been added. This chapter throws light on Evaluation of Risk Associated with Governance, Description and evaluation of framework for Board level consideration of risk and OECD Guidelines for Corporate Governance.

Further, chapters namely, Enterprise Risk Management, Operational Risk Management and Evaluation of Risk Management Strategies have been added to give wide coverage to the subject Risk Management. In these chapters, some interesting topics have been added to give a new flavour to this dynamic and ever evolving subject.

### Features of this study material

There are several significant characteristics of this study material which are outlined as below:

(i) It comprehensively covers the course requirements of students preparing for Risk Management paper.

(ii) The chapters have been organized in such a manner that the concepts of the students are cleared in a step by step process.

(iii) It is written in a very simple and lucid manner to make the subject understandable to the students.

(iv) At the beginning of each chapter, learning outcomes have been given so that the students have some sort of idea about what he will learn after going through the chapter.

(v) Efforts have also been made to cover contemporary topics in various chapters of Risk Management Paper e.g. VAR, Stress Testing, Scenario Analysis, Artificial Intelligence and Business Analytics etc.

(vi) While preparing the study material, it has been kept in mind that students understand the study material. Therefore, it has been endeavored to keep the chapters concise, giving appropriate headings, sub-headings and mentioning examples at suitable places.
Strategy to approach this study material

It is desired from the students that they cover the entire syllabus and are also required to visit ICAI Website for additional study material in the form of Supplementary, Case lets, etc. Students are also advised to update themselves with the latest changes in the Risk Management field. The students are, therefore, required to refer academic updates in 'Students Journal' published by the Board of Studies, the monthly journal 'The Chartered Accountant', and various newspapers such as Economic Times, Mint, Business Line, Financial Chronicle and Business Standards.

Although, sincere efforts have been made to keep the study material error free, it is possible that some errors might have inadvertently crept in. In this respect, students are encouraged to highlight any mistake they may notice while going through the study material by sending an e-mail at rm-final@icai.in or write to the Director of Studies, The Institute of Chartered Accountants of India, A-29, Sector-62, Noida-201309.

Happy Reading and Best Wishes!
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