The question Paper comprises five case study questions. The candidates are required to answer any four case study questions out of five.

CASE STUDY: 1

XYZ 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.

The following issues raised by Risk Manager (a naïve person with no experience) just appointed by the company.

(i) The purchase order for a script would be authorised by a manager. Further all the related work from trading upto settlement and recording shall be under the control of manager and his team appointed by him.

(ii) Exploring the possibility of using 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.

(iii) Calculation of worst scenario loss in the value of the portfolio in a given period of time for a distribution of historical returns.

(iv) Infusion of funds by the customers whose identity may not be properly known.

(v) Factors that are to be considered before buying shares of a foreign company.

(vi) While applying for a bank loan for the expansion of the portfolio, the parameters that the bank might consider while approving such loan to the company.

(vii) The management is interested in a guaranteed return rather than accepting a higher but uncertain return.

(viii) Carrying out analysis of various transactions to study the patterns of investments and ensuring the veracity of the transactions.

(ix) How to reduce the exposures in financial risks.

(x) How to reduce the exposures in compliance risks.

Descriptive Questions

1.1 Suppose you are appointed as a Risk Management consultant and you are expected to give your valuable inputs on the above issues raised. (1½ marks for each point =15 Marks)

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Multiple Choice Questions:

Choose the most appropriate answer from the answer options.

1.2 A measure of an investment's excess return, above the risk-free return, per unit of standard deviation is known as
   (A) Beta
   (B) Jensen Index
   (C) Sharpe Ratio
   (D) R Squared

1.3 As per BIS capital adequacy rules, banks should operate with a holding period of
   (A) one week (or 5 business days)
   (B) one week (or 7 days)
   (C) two weeks (or 10 business days)
   (D) two weeks (or 14 days)

1.4 Which one of the following is NOT a way to calculate the credit risk component as prescribed by Basel II?
   (A) Credit Risk Mitigation
   (B) Control Risk Mitigation
   (C) Standardised Approach
   (D) Internal Rating based approach

1.5 In case company buys shares of a Foreign Company and keep it for longer period then for which type of exposure it shall exposed to ____________.
   (A) Transaction Exposure
   (B) Translation Exposure
   (C) Economic Exposure
   (D) All of these

1.6 The banks while considering the proposal for a wholesale credit, the detailed appraisal would NOT include
   (A) Risk identification, risk allocation and risk mitigation
   (B) Covenants/conditions to be stipulated
   (C) Internal credit rating model
   (D) Nature of Security and its enforceability

CASE STUDY: 2

Quality Paper Mills Limited is an unlisted company formed in the year’ 2004 having the head office and factory situated at Visakhapatnam. It was manufacturing and selling papers. The manufacturing of paper was based on bamboo and soft wood.
Some key Profitability Ratios for the FY 2012-13 were:

**Percentage of profit after tax to:**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1.84</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>0.83</td>
</tr>
<tr>
<td>Capital Employed</td>
<td>1.09</td>
</tr>
<tr>
<td>Net-worth</td>
<td>2.01</td>
</tr>
<tr>
<td>Equity Capital</td>
<td>3.27</td>
</tr>
</tbody>
</table>

Due to various issues such as, insufficient availability of raw materials, labour unrest, power problems, environmental pollution etc., the Company stopped production in the month of March, 2013.

The Company owned a total land of 38 acres as on 31st March, 2013 in which the factory and office were situated which was allotted by State Government in 2003 and was eligible for Tax holidays for the period of 10 years from the commencement of operations. It made distressed sale of 5 acres of vacant land for Rs. 3 crores and settled the Bank dues, outstanding wages and statutory liabilities during September 2013.

**Extract from Balance Sheet as on 31st March, 2019**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>2.00</td>
</tr>
<tr>
<td>(in the form of shares, debentures, units in mutual funds)</td>
<td></td>
</tr>
<tr>
<td>Land (at cost)</td>
<td>3.00</td>
</tr>
<tr>
<td>Other fixed assets</td>
<td>1.50</td>
</tr>
<tr>
<td>Liabilities</td>
<td>Nil</td>
</tr>
<tr>
<td>Equity capital</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Mr. Ajit, Managing Director and Chairman of the Company, the person who started this company in way back in 2004. Though he well known person both socially and in the industry because of his dynamism but in the year 2010 his name appeared in Money Laundering case. In the year 2015 his name was in news due to allegation of insider trading of the shares of a company which was likely to be acquired by a MNC conglomerate.

In April, 2019, Mr. Ajit, got the approval of the Board to revive the Company. He appointed a project consultant to conduct a feasibility study and also to come out with alternate proposals.

The consultant, after a 3-month study, came out with the following proposals.

**Proposal 1:**

To demolish all the buildings and construct residential villas, apartments and independent houses and sell them to the public.

**Projections of Proposal 1**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Project time</td>
<td>3 years</td>
</tr>
<tr>
<td>Total sales price</td>
<td>Rs. 30 crores</td>
</tr>
<tr>
<td>Cost of construction</td>
<td>Rs. 20 crores</td>
</tr>
<tr>
<td>Other expenses (including interest)</td>
<td>Rs. 6 crores</td>
</tr>
<tr>
<td>3-year Term Loan from Bank</td>
<td>Rs. 10 crores</td>
</tr>
<tr>
<td>Profit</td>
<td>Rs. 4 crores</td>
</tr>
</tbody>
</table>

Suitable modifications to be done in Memorandum and Articles of Association of the Company. Necessary approvals to be obtained from the Town Planning authorities of the State government.
Proposal 2:

To commence paper manufacturing using sugarcane bagasse, which is used as a substitute for bamboo and soft wood for the production of paper pulp. It is estimated that 30% wet bagasse could be obtained from crushing sugarcane. There are a lot of sugar mills that are around the place and it may not be a problem to obtain such raw material. After removing pith (waste fiber) and leftover sugar from the wet bagasse, it could be converted to pulp. Since sugarcane production is seasonal, suitable preservative arrangements for the bagasse are to be undertaken.

Since the Company was already producing paper using bamboo and soft wood, it was suggested to have 20% of total production by using the existing machinery after sufficient reconditioning. The consultant also suggested to manufacture (i) boards and (ii) newsprint paper besides production of papers, as there is a growing market both in India and foreign countries.

Key factors of Proposal 2:

| Cost of new machineries               | 10.00 |
| Infrastructure development expenditure etc., (laying of roads and conversion of meter-gauge rails to broad-gauge rails in the factory) | 3.00 |
| Cost towards revamping old machineries | 1.25 |
| Initial cost towards purchase of raw materials | 1.00 |
| Renovation expenses of staff quarters, office and factory buildings | 2.30 |
| Other expenditure                     | 2.45 |
| **TOTAL COST**                        | **20.00** |

This was proposed to be met as under:

- Fresh share capital from existing shareholders: 2.00
- Sale of 8 acres of unused land: 6.00
- Sale of Investments: 2.00
- Bank Term Loan (Rs. 6 crores) and Working capital loan (Rs. 4 Crore): 10.00

Production can be commenced in Sep. 2020

Projections made:

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>2020-21</th>
<th>2021-22</th>
<th>2022-23</th>
<th>2023-24</th>
<th>2024-25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (Rs. in crores)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income after interest, tax and depreciation -1.00</td>
<td>0.90</td>
<td>1.50</td>
<td>2.40</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>Net Assets 2</td>
<td>6</td>
<td>10</td>
<td>14.40</td>
<td>18.80</td>
<td></td>
</tr>
</tbody>
</table>

Following projected data is related to current items

<table>
<thead>
<tr>
<th>Current Liabilities</th>
<th>Rs. Crore</th>
<th>Current Assets</th>
<th>Rs. Crore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creditors for Purchase of Raw Materials</td>
<td>2.00</td>
<td>Stock of Raw Material</td>
<td>1.00</td>
</tr>
<tr>
<td>Other Current Liabilities</td>
<td>1.00</td>
<td>WIP</td>
<td>2.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Finished Goods</td>
<td>1.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Receivables</td>
<td>3.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other Current Assets</td>
<td>2.00</td>
</tr>
</tbody>
</table>
The vision of Mr. Ajit is to look forward to the things that the Company could do and not look back at things that could not be undone.

Hence, he gave his consent to Proposal 2, but he was not prepared to sell the investments and unused land. Rather Mr. Ajit is interested in raising this amount through additional loan of same amount and offering these assets as collaterals.

Descriptive Questions

2.1 He approaches your Bank for additional loan of Rs. 8 crore, You as a Risk Manager of the bank have been requested to give a detailed analytical report on proposed lending covering the following aspects:

(i) Main Risk that will be faced by bank in the proposed lending and what are its components. (6 Marks)

(ii) Amount of Loan that you seem to be justified keeping the various factors. (2 Marks)

(iii) Expected loss on the amount of term you recommended if the probability of default is 4% and Loan Given Default (LGD) is 80%. (3 Marks)

(iv) Calculate the Maximum Permissible Bank Finance (MPBF) as per the Tandon Committee Recommendations using the norm of a current ratio of 1.33. (4 Marks)

Multiple Choice Questions

Choose the most appropriate answer from the answer options.

2.2 Which one of the following would LEAST likely be included as a source of market risk?

(A) Natural disasters
(B) Technological changes
(C) Recessions
(D) Political turmoil

2.3 The managing director wanted to know the difference between Risk Capacity and Risk Appetite. It can be BEST described as

(A) Risk Appetite is the overall ability and financial boundary above which the Board can play their business bets; whereas Risk Capacity is the hard stop limit above which the Board would like to restrict its business actions.

(B) Risk Capacity is the overall ability and financial boundary within which the Board can play their business bets; whereas Risk Appetite is the hard stop limit within which the Board would like to restrict its business actions.

(C) Risk Appetite is the overall ability and financial boundary above which the Board can play their business bets; whereas Risk Capacity is the hard stop limit within which the Board would like to restrict its business actions.

(D) Risk Capacity is the overall ability and financial boundary above which the Board can play their business bets; whereas Risk Appetite is the hard stop limit above which the Board would like to restrict its business actions.
2.4 A company's decision to move into immature or emerging markets or to launch products outside its core competencies is BEST known as

(A) Uncertainty
(B) Ambiguity
(C) Complexity
(D) Volatility

2.5 In case of Impact of Business Risk, the Impact area of 'customer' has the following nature of impact:

(A) Morale
(B) Loyalty
(C) Loss of confidence
(D) Defaults

2.6 According to ISO 31000 on keys to ERM implementation, which one of the following keys would provide an opportunity to change and further tailor ERM processes?

(A) Leverage existing resources
(B) Winning support and sponsorship from the top management is a precursor
(C) Building ERM using small but solid steps
(D) Focus on a simple risk model with small number of Top Risks

(5 x 2 Marks = 10 Marks)

CASE STUDY: 3

M/s. Modern Realty Developers is a partnership concern situated in Chennai. The current project of the firm is construction of 20 luxury apartments in the outskirts of Chennai. Each apartment is identical and the ultimate selling price of each apartment is Rs. 2.50 crores. The project had commenced in April, 2018 and the project completion is scheduled to be completed in September, 2019. Two apartments remained un-booked. A term loan was taken for Rs. 12 crores in April 2018 with no moratorium period.

Key figures:

<table>
<thead>
<tr>
<th>Item</th>
<th>Projected</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Completion</td>
<td>60%</td>
<td>45%</td>
</tr>
<tr>
<td>Collections from Customers</td>
<td>Rs. 27 Crores</td>
<td>Rs. 25 Crores</td>
</tr>
<tr>
<td>Term Loan payable to bank</td>
<td>12 installments</td>
<td>10 installments</td>
</tr>
<tr>
<td>Payments outstanding towards supply of materials</td>
<td>Rs. 2 Crores</td>
<td>Rs. 3 Crores</td>
</tr>
<tr>
<td>Salaries and Wages payable</td>
<td>Nil</td>
<td>25 lakhs</td>
</tr>
<tr>
<td>Outstanding statutory payments</td>
<td>Nil</td>
<td>50 Lakhs</td>
</tr>
</tbody>
</table>

Other issues faced:

- Workers hired were not adequately skilled.
- Increase in price of construction materials by 10% over the estimated price.
- Acute water scarcity in Chennai.
• Accidents occurred. Workers and the site supervisors did not follow the safety regulations.

The construction industry today favours low cost housing aimed at the middle-class section of people. This is due to the availability of concessions in the form of reduced interest rates, interest subsidy and tax benefits. The workers at the construction site faced dust and pollution problems. The neighbours around the site were complaining about the increasing dust levels.

It was suggested that the workers use protective face masks and spray water to the buildings under construction. Data variables about the (i) dust control measures and (ii) dust levels were collected and correlation between the above two variables was calculated for further analysis.

When preparing the cement mortar, it was decided to use 1 part of cement and 6 parts of sand. Drawing samples from 20 places, where cement mortar was applied, it was found that at 3 places such ratio was not maintained. The management contemplated to provide training in (i) handling the equipment, (ii) work culture, (iii) safety programs.

Funds were earmarked for payment of income-tax. The same was utilized to purchase cement and bricks. Hence the payment of income-tax could not be made on the due date.

The firm received a notice from the bank asking for repayment of the outstanding dues immediately failing which, the bank would take precautionary steps to make the firm to prepay the loan.

Answer the following:

**Multiple Choice Questions**

Choose the most appropriate from the answer options:

3.1 Instance of non-payment of income-tax on the due date would most likely show:

(A) Risk appetite is lower than the risk capacity.
(B) The firm has taken an internal risk.
(C) The firm has considered it as a residual risk.
(D) Risk appetite is higher than the risk capacity.

3.2 Which of the following is MOST likely the reason that prompted the bank to issue such a notice?

(A) The bank felt that it is facing Risk Exposure.
(B) The bank felt that it is facing Default Risk.
(C) The bank felt that it is facing Recovery Risk.
(D) The bank felt that it is facing Guarantee Risk.

3.3 The proposed action of the management to provide training and safety programs would fall under:

(A) Risk Alternatives.
(B) Insurance Alternatives.
(C) Operational Alternatives.
(D) Strategic Alternatives.

3.4 Risk culture requires _________.

(A) continuous efforts of communication
(B) building corporate memory
(C) shaping the right risk actions

(D) All of these

3.5 If the tolerable limit for exception was 6% in the case of cement mortar sampling, the most likely conclusion would be:

(A) the control risk is high.

(B) the detection risk is high.

(C) the control risk is low.

(D) the detection risk is low. (5 x 2 Marks = 10 Marks)

Descriptive Questions

3.6 Briefly explain the types of risks faced by the firm. (6 Marks)

3.7 Prepare a sample risk register on dust and pollution risk faced in the activities of the firm. (5 Marks)

3.8 Briefly explain the benefits of ‘Improved risk measurement and Management’ to the management. (4 Marks)

CASE STUDY: 4

A company in the financial services sector has been fined by the Regulator for various breaches of relevant regulations owing to which they suffered Reputation Loss and Credibility among customers and the public. There is a possibility that some of the Directors and Officers may be penalised and could be sued by the shareholders for losses suffered and wrongs committed. The Board and the Top Management of the company were quite worried about this turn of events as breach of Corporate Governance norms and non-compliance of laws and regulations were not expected to happen in the company.

You have been appointed as the new Chief Risk Officer to review and ensure best practices in Corporate Governance particularly in the areas of compliance, disclosures, consumer protection, management of frauds and financial crime and ethical conduct in the organisation. It is a well understood fact that in the financial services sector, Regulators are active and regulatory risk is one of the major risks faced by companies in this sector. You are also aware that there have been many scandals and collapses in the financial sector worldwide and you share the concern of the Board that it is important to set benchmarks for governance in the company.

Keeping in mind that disclosures are information that is meant for shareholders, consumers who have bought products from the company and for other stakeholders such as employees, agents, other intermediaries and those in the ecosystem of the company, you are asked to reshape the disclosure policy of the company in tune with regulations and best practices.

Consumer protection is increasingly being focused on by Regulators. Consumer Forums, Courts and other bodies raise their voices against customer service deficiencies and penalise companies. They are shamed when such information is circulated in the media. The CRO is asked to ensure that conduct risk is better managed by a cultural change in the organisation.

Fraud and financial crime are on the rise and these can be happening with the connivance of or wholly by employees and even at senior management levels. Cyber-crimes, frauds and losses are becoming common place and there is a need to ensure that systems are security proofed and employees are made aware of the risks. This can be further risk proofed by raising the ethical standards and putting place necessary controls to ensure that the conduct of everyone in the institution is ethical and upright.
You have been asked to advise the Board and draft suitable policies for upgrading corporate governance practices and risk management. To bring about cultural change in areas that is dependent on management and employee conduct. To create a culture that is customer oriented and strongly against violations of regulations. To discourage opaque practices that give rise to arbitrary decisions at operational levels as these work against customers, reputation and bottom line of the company.

Based on such a background and considering the OECD guidelines on corporate Governance, please answer the following questions.

**Multiple Choice Questions**

Choose the most appropriate answer from the following

4.1 Corporate Governance risk is intended to identify deficiencies that can damage the following important existential aspects of the company.

Point out the wrong answer.

(A) Reputation.
(B) Existence.
(C) Sales growth.
(D) Continuity.

4.2 A holistic risk management framework would empower the Board to

Point out the wrong answer.

(A) Identify top threats to the entity and asset protection measures.
(B) Link risks to more efficient capital allocations and business strategy.
(C) Develop a common language in the organisation for problem solving.
(D) Look back strategy made to ensure that best practices are continued.

4.3 Stress Tests are important for Banks and are an important aspect for Board/Corporate Governance oversight. Choose the right reason for conducting Stress Tests from the options given below:

(A) To deal with natural and manmade asset and disaster risks.
(B) To manage optimally business and portfolio downside movement.
(C) To manage political and country risks.
(D) To prevent fraud risks, malpractices and financial crimes.

4.4 Credit risk mitigation in Banks is a key concern of the Board. It can include the following except one.

Point out which answer is inappropriate.

(A) Norms of lending are tightened.
(B) Credit insurance.
(C) Making Covenants with the borrowers.
(D) Verification of assets.

4.5 Normally every Board of a company should have a Risk Committee. Among other things the following are the duties of this Committee except one, which?

(A) Risk Committee discusses every matter in the agenda of the Board prior to the Board Meeting.
(B) Is required to review and approve the company’s risk policies at least annually.
(C) Discusses all the risk strategies on both aggregate basis and by types of risks.
(D) Oversees that management has in place robust processes to ensure adherence to the risk policies approved by the Board. (5 x 2 Marks = 10 Marks)

Descriptive Questions

4.6 Explain Corporate Governance referring to OECD guidelines and explain how the Board can shield against Corporate Governance Risks. (4 Marks)

4.7 What is the type of risk management that is to be initiated by the Board/Management so as to prevent frauds and financial crimes? (3 Marks)

4.8 How can Credit Risk Management be upgraded to ensure that risk of default is kept to the minimum. (8 Marks)

CASE STUDY: 5

A manufacturing company had a major loss occurring to them in the pure risk category, namely a flood loss in its premises. The loss caused severe damage to buildings, compound walls, plant and machinery on the main factory floor and basements as also stock including stock in the open. Motor vehicles and other mechanised transport were also damaged by entry of water into their engines. The loss happened in the middle of the monsoon season. The factory was insured and as the company did not have any claim for the last 10 years the insurance department and risk management department had become careless and the level of underinsurance was overall 40% in relation to the replacement value of the assets.

The claim process was slow and tedious as the company did not have any knowledge of claim processes and the kind of papers and documents that were needed to be submitted to prove the various kinds of losses and how to make the estimates to compute the amount to be claimed. It had to depend on the insurance company’s agent and surveyor to help them to see that they complied with the obligations that have to be met when losses occur such as informing the civil and police authorities of the loss; and in saving damaged materials from further loss and segregating them; in measuring the physical dimensions of the loss and estimating the cost of repairs and reconstruction; in producing the account books showing the value of assets and stocks lost etc.

There had to be many visits by the surveyor and many rounds of negotiations for the claim to process and the company did not get the claim for a long period.

The company also found that the expected loss reimbursement or indemnity, as is technically known in insurance terminology, did not get allowed as the policies taken had terms which made deduction of depreciation necessary and also because all assets were not insured at full value and hence underinsurance applied. This caused not only considerable delay in the formalities of the claim, but also the amount assessed was below the expectations of those who took the decisions relating to insurance as their knowledge was incomplete and the advice. The concerned department could not explain under what risk management policy and practices of the company they had taken decisions which made the company ineffective in getting indemnity to the extent they could have got and that also by through a speedier settlement.

In view of the delay in the settlement of the claim the company faced a financial struggle to get the factory back to normalcy during which the company made losses and its interest cost rose very high. It had to lay off workers owing to which the employee morale was hit. As production could not be resumed early enough, the loyalty of stockists and customers began to fall. In view of all this, the insurance and risk management departments were asked to review its risk management policies and practices with regard to pure or insurable risks. The final decisions included steps such as to insure the factory on reinstatement value, to ensure review of the sum insured every year, to take on add on covers for debris removal and the like.

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The company appointed a new Insurance Officer, with additional duties to assist the Risk Management Department in the management of pure risks. He researched and found that insurance is essential in areas such as property protection, loss of earnings, liability insurance for the firm, its Directors and other employees. Protection of employee lives and health was becoming a norm in organised industries. Health Insurance had become necessary as an employee benefit. The Board of Directors were concerned about the emerging risks that faced the Directors on the Board and the Officers of the company for wrongful actions and the need to have a well-designed Directors and Officers Liability insurance cover; as also insurance for product liability and any other liabilities that can arise because liability claims can be very large and may lie hidden for many years. Increasingly authorities are directly slapping criminal and civil cases against the company when loss of lives take place and where products are concerned especially those exported to foreign countries; product liability insurance has become almost a compulsory requirement.

In examining existing insurance practices, many poor practices were identified. For instance, many low-level losses which were claimable the concerned departments were not reporting the claims to the insurance department and hence many claims which were of lower amounts but were claimable were found to be unrecovered. Hence reporting processes had to be reworked and made known across the organisation. Similarly, loss prevention in tune with insurance requirements were not properly carried out and, in the process, there were possibilities that the insurance claim, if such arise could have been turned down or paid at a lower amount on account of breach of conditions and warranties in the policy.

There are still questions that were to be examined relating to risks in the context of insurance and risks which cannot be insured. You are asked to look at some of these questions.

**Multiple Choice Questions**

Choose the correct answer to the following questions.

5.1 Insurable risks are most likely to arise from which of the following categorisation of risks.

(A) Hazard Risks.
(B) Control Risks.
(C) Opportunity Risks.
(D) None of the above.

5.2 In Annual Reports it is necessary to have a section on Management Discussion and Analysis. One of the following is not necessary to be discussed in the above section.

(A) Opportunities and Threats.
(B) Risk and concerns.
(C) Details of managing insurance risks.
(D) Internal Control systems and their adequacy.

5.3 Credit risk is insurable and has various components as per list seen below except one - point out the exception.

(A) Default Risk.
(B) Collateral Risk.
(C) Exposure Risk.
(D) Rejection risk.

5.4 The purpose of risk evaluation is to do the following, one of which is not essential. Which ?
(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.

5.5 Certain risks are called pure risks. In this kind of risks either a loss occurs or no loss occurs. There is no scope for gain. Which of the following is not a pure risk?

(A) Early Death.
(B) Physical damage.
(C) Loss in the share market.
(D) Liability for damages due to negligence/wrong doing.  

5.6 Define what a pure risk is and distinguish it from other types of risks. Explain why insurance coverage for pure risk is important.

5.7 Why operational risk management is important for the management of a company to avoid losses whether insurable or not?

5.8 What is the role and responsibility of the Risk Manager?