

# CA FINAL

## RISK MANAGEMENT

### IN-HOUSE

## CASE STUDY SERIES

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**Case Study 3 Questions**

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## Responding to Risk

**Facts:** Cosmo Company is a manufacturer of high-end cosmetics that relies on product differentiation to capture market share. The company has major manufacturing plants in North America to amplify its image of urban sophistication and also to connect with international markets.

The company is applying Enterprise Risk Management (ERM) principles to its strategy and business objectives and to the enhancement of performance with specific attention to responses to identified risks.

The company is trying to reach consensus on its risk appetite and is evaluating the appropriate risk response that would correlate with its shared attitudes toward risk. The company evaluated the perceptions of the likelihood and impact of each of the events and related them to a risk appetite.

**Required:** For each combination of risk appetite and event assessment, identify the most appropriate risk response.

Event	Risk Appetite	Assessment		Risk Response
		Likelihood	Impact	
1. Natural disaster : hurricane	A. Low	High	High	a. Avoid b. Share c. Reduce d. Accept
	B. Low	Low	High	a. Avoid b. Share c. Reduce d. Accept
	C. Low	High	Low	a. Avoid b. Share c. Reduce d. Accept
	D. High	Low	Low	a. Avoid b. Share c. Reduce d. Accept

Event	Risk Appetite	Assessment		Risk Response
		Likelihood	Impact	
<b>2. Financial Fraud : lost assets</b>	A. Low	High	High	a. Avoid b. Share c. Reduce d. Accept
	B. Low	Low	High	a. Avoid b. Share c. Reduce d. Accept
	C. Low	High	Low	a. Avoid b. Share c. Reduce d. Accept
	D. High	Low	Low	a. Avoid b. Share c. Reduce d. Accept

Event	Risk Appetite	Assessment		Risk Response
		Likelihood	Impact	
<b>3. Price Competition : erosion of market share</b>	A. Low	High	high	<b>a.</b> Avoid <b>b.</b> Share <b>c.</b> Reduce <b>d.</b> Accept
	B. Low	Low	High	<b>a.</b> Avoid <b>b.</b> Share <b>c.</b> Reduce <b>d.</b> Accept
	C. Low	High	Low	<b>a.</b> Avoid <b>b.</b> Share <b>c.</b> Reduce <b>d.</b> Accept
	D. High	Low	Low	<b>a.</b> Avoid <b>b.</b> Share <b>c.</b> Reduce <b>d.</b> Accept