

Serial No.	CHAPTER 1 : INTRODUCTION TO RISK	ICAI Study Material Page No.	Extra Reference In ICAI Material	Past Paper /Mock Paper (Book 1)	Book 2
1	INTRODUCTION & DEFINITIONS	1.1			
1.1	ICAI Guide on Risk Based Internal Auditing	1.2	7.8		
	Meaning of Risk	1.2			
	Business Risk	1.2			
	“Frog in the Well Syndrome” (Chinese idiom)	1.3 (3rd para)			
	risk mitigation controls in place	1.3 (3rd Para)			
	outcome of Risk	1.3 (last para)			
	Examples	1.4			
	Business Dictionary defines Risk Perception	1.4 (1st para)			
	Examples (of more riskier propositions in comparison to above)	1.4			
	Examples of Probability and relationship with Value of the Risk Outcome -	1.4			
	SA 315 of ICAI defines the term Significant risk	1.4			
	ICAI’s Standard of Internal Audit	1.4			
	Enterprise Risk Management defines Risk	1.4			
	SA 315 of ICAI defines Business Risk as	1.5			
	TABLE 1. Important Definitions of Risk, IT Risk, Audit Risk	1.5			
	<i>ISO Guide 73 ISO 31000</i>	1.5			
	Institute of Risk Management (IRM)	1.5	3.2 (Table)		
	Institute of Internal Auditors (The Professional Practices Framework 2004)	1.5			
	Paul Hopkins	1.5	1.16 (Sec.3.2)		
	Institute of Chartered Accountants of India, SA 315	1.5	1.4,1.6, 2.3(2nd para)		
	Oxford English Dictionary	1.5	1.3		
	International Federation of Accountants,1999	1.5			
	CIMA Official Terminology, 2005	1.5			
	Basel II (Operational risk is defined as)	1.6			
	ICAI – SA 315	1.6			
	COBIT,ISACA (COBIT 5 - defines IT risk)	1.6			
	ICAI Risk Based Internal Audit Guide	1.6	1.9 (last para)		
	The International Organization for Standardization defines Risk (international committee)	1.6 (last para)			
	" (Cornelius Keating).	1.6 (last para)			

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	Audit risk	1.6			
	NASDAQ defines Financial Risks as	1.7 (1st para)			
	In financial markets, one may need to measure, "real-time risk"	1.7(5th para)			
	Basel III requires real-time risk management framework for bank stability. Knight Capital Group (KCG)	1.7 (5th para)			
1.2	Occupational Health & Safety Advisory Services (OHSAS)	1.7			
	Economic risks can be manifested	1.7			
	1984 Bhopal disaster in India	1.8 (2nd para)			
	environmental risk assessment (ERA)	1.8 (3rd para)			
	Information technology risk, or IT risk, IT-related risk, or Cyber risk	1.8 (4th para),	1.9		
	"how do we make risk based decisions?"	1.8(5th para)			
	Emotional Intelligence	1.8			
	Risk in an organizational context is usually defined as	1.9			
	The concept of risk-based maintenance	1.9 (2nd para)			
	TABLE 2. Illustrative Corporate Risks	1.9			
1.3	Classification of Business Risk	1.10			
	Business Risks: Internal and External	1.10			
	Human factors, Technological factors, Physical factors, Economic factors, Natural factors, Political factors	1.10			
	Business Risks: Controllable and Non-controllable	1.10			
1.4	Risk Categories by COSO (categories risks as Operations, Financial Reporting, and Compliance.)	1.11	7.12, 7.20, 8.3, 9.11		
1.5	Inherent Risk and Residual Risk (control score.)	1.11			
1.6	ICAI's Standard of Internal Audit	1.11			
	Enterprise Risk Management states that Risk may be broadly classified	1.11			
	Strategic Risks	1.11			
	Operational Risks	1.11			
	Financial Risks	1.11			
	Knowledge Risks	1.12			
1.7	Open Group Standard (measuring effect and frequency.)	1.12			
1.8	The ICAI Guide on Risk Based Internal Audit (Likelihood of risk occurrence. Risk consequence. Score 1 to 5)	1.13			

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2	RISK & UNCERTAINTY	1.14			
	distinction between risk and uncertainty is proposed by Douglas Hubbard	1.14			
	one may have uncertainty without risk but not risk without uncertainty	1.14			
	<i>Complexity, Volatility, Ambiguity and Uncertainty (VUCA)- (Characteristics, Example, Approach)</i>	1.15			
3	CLASSIFICATION OF RISKS	1.16			
3.1	Nature of Risks	1.16			
3.2	Categorisation of Risks (<i>According to Paul Hopkins</i> -Hazard (or pure) risks; Control (or uncertainty) risks; Opportunity (or speculative) risks.	1.16	Paul Hopkins (1.5)		
	Pure Risks (Types of pure risks-Personal risks, Property risks, Liability Risks)	1.16			
	Fundamental Risks	1.17			
	Particular Risks	1.17			
	Dynamic Risks	1.17			
	Control risks	1.17			
	Speculative Risks	1.17			
	Static Risks.	1.17 (last para)			
	<i>Risks can be grouped according to their nature, estimated cost or likely impact, likelihood of occurrence, countermeasures required, etc.</i>	1.17			
	Example : to understand the distinction between hazard, control and opportunity risks,	1.18			
4	TYPE OF RISKS	1.18			
	According to webopedia - Risk as part of GRC (Governance, Risk and Compliance)	1.18 (Section 4, 2nd para)			
	Internal Factors (Controllable, Uncontrollable) - Table	1.19			
	External Factors (Controllable, Uncontrollable) - Table	1.19			
	<i>In addition to the business risks, organisation can have following major risks</i>	1.19			
	Financial risk	1.19			
	Credit risk	1.19			
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	Market risk	1.20			
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