

Serial No.	CHAPTER 2 : SOURCE AND EVALUATION OF RISKS	ICAI Study Material Page No.	Extra Reference In ICAI Material	Past Paper /Mock Paper (Book 1)	Book 2
1	IDENTIFICATION AND SOURCES OF RISKS	2.1			
1.1	Risk identification is the initial step in the process of risk management	2.1			
	Participants in the Identification process will usually include:-	2.2			
1.2	Risk identification sets out to identify an organisation's exposure to uncertainty	2.2			
	determining how the risks should be managed. It:	2.2			
	SA 315 of ICAI states	2.3	1.4, 1.5, 9.3 (point b)		
	business functions that can be assessed from a risk perspective are (Strategic, Operational, Financial, Knowledge management, Compliance management	2.3			
1.3	Additional objective information can be provided by persons outside the team	2.4			
	SWOT Analysis	2.4			
	Enterprise-wide Risk Management (ERM)	2.4			
2	QUANTIFICATION OF RISK AND VARIOUS METHODOLOGIES	2.4			
	Risk Assessment	2.4			
	Risk Measurement	2.4			
	Risk assessment	2.4			
	Risk quantification	2.5			
2.1	Qualitative Risk Assessment	2.5			
	Risk Probability and Impact assessment	2.5			
	traffic signal risk card.	2.5			
	Probability and Impact Matrix	2.5			
	Matrix table (Grid I to Grid IX)	2.6			
2.2	Quantitative Risk Assessment	2.6			
	Decision Making Tree	2.7			
	Risk quantification involves	2.7			
2.3	Tools and Techniques for Risk Quantification	2.7			
	(a) Judgment and intuition	2.7			
	(b) The Delphi approach	2.7			
	(c) Scoring	2.8			
	(d) Quantitative techniques	2.8			
	(e) Qualitative techniques(Threats, Vulnerabilities, Controls)	2.8			

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	(f) Expected monetary value	2.8			
	(g) Simulation	2.9			
	(h) Decision Tree	2.9			
	(i) Expert Judgement	2.9			
	(j) Frequency of Loss	2.9			
	(k) Scenario Analysis	2.9	2.11, 5.11 (sec 3), 9.21		
2.4	Other Business Risk Measurements	2.9			
2.5	Outputs from Risk Quantification	2.9			
	Common outputs from risk quantification include	2.10			
	Risk Scorecard, Value at Risk Measure, Sampling plan, Simulated Model, Projections, etc.	2.10			
	'Risk Mitigation'.	2.10 (1st para)			
	Predictive models(loss models)	2.10 (3rd para)			
3	RISK IDENTIFICATION AND ASSESSMENT APPROACHES	2.10			
	risk identification and assessment approaches	2.10			
	illustrated by Tony Harb B. (Most useful 16 techniques)	2.10			
	1. Analysis of processes, 2. Brainstorming	2.10			
	3. Questionnaires & Interviews (Structured interview)	2.11			
	4. Checklists, 5. "What-if" Technique (WIFT)	2.11			
	6. Scenario Analysis	2.11	2.9,5.11,9.21		
	7. Fault Tree Analysis (FTA)	2.11			
	8. Bow Tie Analysis	2.11			
	9. Direct Observations	2.12			
	10. Incident Analysis	2.12			
	11. Surveys	2.12			
	12. Workshops	2.12			
	13. Comparison with other organizations (Benchmarking technique used for)	2.12			
	14. Stakeholder analysis	2.12			
	15. Working groups	2.12			

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	16. Corporate knowledge(Experiential knowledge)	2.12			
	Documented knowledge, Lessons learned)	2.13			
	causes and effects of the risks in a company?	2.13			
	detailed knowledge of the company and its business	2.13			
	multiple types of risk assessments to support investment decision	2.13			
	The ICAI guide on Risk Assessment Methodologies and Applications	2.13			
	Asking questions helps to identify risks	2.13			
	The purpose of a risk evaluation	2.14			
	two primary questions to consider when evaluating the risk inherent	2.14			
3.1	Sources for Identification of Risks	2.14			
	Business risks arise on account of two major factor (external & internal)	2.14			
	A brief list is set out (11 points)	2.15			
	Example - SWOT	2.15			
	Exhibit (A GENERIC RISK SOURCES MATRIX)	2.16			
	Example – Threat Assessment for Mumbai metropolitan city	2.17			
	Vulnerability Profile of Mumbai City (WHO, ISDR)	2.17			
3.2	High Value Threats & Risks Analysed	2.17			
	1. Fire (Victoria doc explosion in 1944)	2.17			
	2. Floods.	2.18			
	3. Chemical (transport, handling), biological, and nuclear hazards.	2.18			
	4. Earthquakes. (BIS, Seismic Zone III.)	2.18			
	5. Cyclones,	2.18			
	factors have been identified that can create vulnerabilities and associated risks	2.18			
3.3	Global Risk Outlook	2.18			
	World Economic Forum (WEF)	2.18			
	global risk indicators	2.19			
	Organisational Risks	2.19			
	Epstein and Rejc, 2005	2.19	2.29, 8.8		
3.4	Risk Identification and Root Cause Analysis	2.19			
3.5	Use of Specific Tools to Identify Risks	2.20			
	PESTLE, ETPS, STEEPLE, PESTLIED, PEST, STEPE	2.20			

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	Amanda Dcosta's paper	2.20			
3.6	Risk Treatment Options	2.20			
	the risk responses categorized	2.21			
	primary objective of risk treatment	2.21			
	other risk mitigation measures	2.21			
	some of the common risk mitigation techniques	2.21			
	Insurance,	2.22	3.10, 9.36		
	Outsourcing,	2.22	9.25		
	Service Level Agreements (SLAs)	2.22			
4	IMPACT OF BUSINESS RISK	2.22			
	The levels of risk impact	2.23			
	examples on the nature of impact	2.23			
	Risks can be classified on the basis of their impacts	2.24			
	To conduct a business impact analysis for the business, managers carry out following activities	2.24			
	Analysing the Level of Risk (Formula)	2.25			
	Likelihood scale example	2.25			
	Consequences scale example	2.25			
	Evaluating risks	2.26			
	Risk rating table example	2.26			
	Risk evaluation should consider:	2.26			
5	IDENTIFY AND ASSESS THE IMPACT UPON THE STAKEHOLDERS INVOLVED IN BUSINESS RISK	2.26			
	Examples of stakeholders and their stakes	2.27			
	The levels of risk impact can be assessed across following stakeholder levels	2.28			
	Stakeholder Value Creation by Enterprise Risk Management	2.29			
	Risk Management Payoff Model of Epstein and Rejc, 2005 (Benefits)	2.29	2.19,8.8		
	Successful Stakeholder Risk Management	2.29			
6	ROLE OF RISK MANAGER AND RISK COMMITTEE IN IDENTIFYING RISK	2.29			
6.1	The Role of the Risk Manager (15 Points)	2.30			
6.2	Role and Responsibility of Risk Management Committee	2.30			

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	Role (10 points)	2.30			
	Responsibility (19 points)	2.31			
6.3	IBM Case Study – Role of Risk Management Function	2.32			
	The role of the Enterprise Risk Management function at IBM	2.32	1.4,1.11,2.29		
6.4	Principles for Effective Implementation of Risk Management Recommended By OECD	2.33			
	number of cases ignorant of the risk facing the company.	2.33	7.2 (6th bullet)		