



BRENTWOOD
OPEN LEARNING COLLEGE

Assignment Cover Sheet

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Student Number:	14325
Course:	Risk Analysis
Assignment NO:	

Marking Criteria:

We expect the learners to write minimum one well expressed point in three lines against each allocated mark. This means one needs to write 15 lines with 5 well expressed points to get high grades for a 5 marks question.

For high grades use examples and illustrations where appropriate.

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Student Statement:

By submitting this assignment, I confirm that this is my own work.

Student Signature	Mohamed Hatimy	Date	21/09/2018
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For Tutor / Assessor Use Only

Total Marks	
Marks Obtained	
Percentage / Grade	

1. Give Short answers for the following questions: (14)

I. What type of information does a business risk analysis give?

An analysis of the business deals with acquiring an understanding of

1. The entire background to the business in general terms.
2. The specific business activity, process or project to be studied for risk management

II. What are the outputs for a business risk analysis?

The core risk management stages are identified as analysis, identification, assessment, evaluation, planning, and management. These stages collectively create a logical sequence of activities essential for a forceful approach towards the application of enterprise risk management.

III. Outline the constraints which could be involved in a business risk analysis.

The Business Risk Management culture, resources, studies, and plans are said to be regulating or constraining the risk identification process.

- The Business Risk Management culture will constrain the risk identification process in terms of the degree of significance, commitment and enthusiasm attributed to the process and the extent of support given when the risk management process begins.
- Resources required for risk management may constrain risk identification in terms of time. When cost is a constraint, especially when external support is being utilised, less expensive and most likely less experienced staff may be selected for the task. When time is limited, and risk management activities are fast-tracked, there is a strong probability that the quality of the output will be reduced. All these constraints will probably compromise process effectiveness, especially the scope of risk identification, potentially leaving blind spots.

IV. 'Ratio analysis' is one of the tools of risk analysis'. How is it performed?

- The liquidity ratio would be of enough importance where there is a risk relating to the inability to repay amounts owing in the short term;
- The profitability, investment, and gearing ratios are used to establish risk to returns on investment; and
- The profitability and gearing ratios would help if there was concern by long-term lenders over the long-term viability of the business.

V. How is the SWOT analysis performed for a business?

The SWOT analysis headings offer a structure for reviewing a business or any specific issues including a strategic alternative, an opportunity for an acquisition, a possible partnership, a new product, a business proposal, or outsourcing an activity.

A SWOT analysis is a subjective evaluation of data, which is organised by the SWOT format into a logical order that facilitates understanding, presentation, debate and decision making. The SWOT analysis template is generally a grid comprising four sections, one for each of the SWOT headings:

- The analysis of the firm (internal features);
- The market analysis (internal and external features);
- The product, portfolio, and matrix analysis (internal and external features); and
- The analysis of the general environment (external features)
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VI. “PEST analysis is a useful tool for analysing a business and in particular understanding

A PEST analysis is used for analysing a business, specifically to understand market decline or growth. PEST is an acronym for Political, Economic, Social, and Technological factors. This is a business measurement tool used to evaluate the market for a business or organisation.

Businesses are continuously reacting to changes in the environments in which they operate. Proactive businesses try to anticipate changes in their external environment by observing trends through practices, such as market research. This enables them to plan and prepare. Reactive businesses must decide what to do after a change has occurred and because they have been taken by surprise, they generally tend to be faced with one crisis after another. Because of this, decision-making is less effective as they must rush into making significant decisions without sufficient information. To make effective decisions, businesses should be constantly monitoring their environment to identify potential changes and risks and prepare for them.

A PEST analysis of Political, Economic, Social, and Technological factors will identify most of the external environmental influences on how a business performs. These influences are part of the macro environment over which the business has no control. An initial PEST analysis can be performed as part of a desktop study and then used again with a project team or business group to identify external influences and gain the consensus of senior managers.

2. Discuss the outputs of a business risk analysis. (6)

Case Study

A global energy company was considering a significant investment opportunity in Central Asia, a region where it had no previous experience. The country in question had a reputation as an unpleasant business environment, rife with rumours of bribes, licensing irregularities, and unwarranted government intervention. The company's senior management asked CRO to examine and assess the local business practices, with a particular focus on the business behaviour of competitors. CRO presented his report after a complete market risk analysis. According to this report the prevailing corrupt practices included off-the-record payments to facilitate licensing and contract agreements, improper influence in the tender process, regular extortion, and organized crime.

Question (10)

1. How do you think that CRO has gathered this information?

An in-depth understanding of the companies and countries operations was completed and the context within which they operated, for which a high-level process map would have been created of the company's activities or a risk breakdown structure to aid risk identification.

- Identify and record the business objectives or the business objectives subset; • Examine the business plan;
- Understand the industry, including the business position, market context, and regulatory framework;
- Business processes;
- Projected financial statements;
- Resources;
- Change management;
- Marketing plan;
- Compliance systems;
- Process activities include internal controls, the role of the Audit Committee and review of the existing risk management processes.

2. What should be the company's approach based on this report?

As the risk is too high, the best option would not to get involved with this market, as it could lead to their reputation being hurt in other markets.

3. If the company goes for investing in this region, should they follow the prevailing business system or should they continue working in their own way?

They should continue doing work their way, even though their profits will be lower they should consider their long-term objectives and reputation in other markets. By being caught out in this market they could end up with loss of revenue. They should always follow follow a good business plan:

Tell a clear, cohesive, customer focused story;

- Clearly identify the customers, market, suppliers, and competitors;
- Contain credible sales forecasts and planning assumptions;
- Explain how the business will accomplish a sustainable competitive edge;
- Identify the assumptions to the business to which it is most sensitive;
- Identify the risks that the company faces, and the planned or on-going response actions;
- Identify the opportunities that the business plans to exploit;
- Create a summary of the experience of the managers and key staff involved in managing the business; and
- Identify the funding requirements and the source of funding.

1.