



The Practitioner Examination

FX03

Scenario Booklet

This is a 3-hour objective test examination. This booklet contains the Scenario upon which this exam paper is based. All questions are contained within the *Question Booklet*.

Additional information is provided within this *Scenario Booklet* for a number of questions. Where reference is made to additional information, this is clearly stated within the question to which it is relevant. All information provided within a question is only to be applied to that question.

There are four questions. Each question is worth 20 marks, giving a maximum of 80 marks in the paper. The pass mark is 50% (40 marks). Within each question, the perspective to which the question refers is clearly stated. Each question will address multiple syllabus areas. The exam is to be taken with the support of the *Management of Risk: Guidance for Practitioners* (the Management of Risk 'guide'), published by TSO, together with the AXELOS guidance document *ABC Guide Part A Example Techniques*. No material other than the *Question Booklet*, the *Scenario Booklet*, the *Answer Booklet* and the two guides is to be used.

Candidate Number:

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SCENARIO

The companies and people within the scenario are fictional.

Fun4U

Background

Fun4U is a leisure company that develops and runs leisure centres with a full range of facilities. Its owner, the Chief Executive Officer (CEO), set up the company 12 years ago. The CEO started the business by buying a leisure centre with a gymnasium and swimming pool in Milltown, Myland. Over the years, the CEO has either built or acquired five more facilities in various locations throughout the country.

The CEO owns 51% of the company's shares and there are a small number of private shareholders. The organization is funded from shareholders, loans and retained profits.

The main sport-based leisure facilities at each centre are operated by Fun4U. The non-sport facilities at the centres, such as restaurants and bars, are leased on a franchise basis.

Fun4U's head office is based in Milltown, with 25 staff employed in Accounts, Human Resources (HR) and other corporate functions. Each of the six leisure centres employs a permanent manager and deputy manager, and a small number of part-time staff covering local administration and customer services. Each centre makes its own decisions on the local contracting and outsourcing of services such as cleaning and maintenance. The franchise leasing is managed centrally by Fun4U's head office.

Fun4U's Organization structure

Fun4U has five senior managers who form the Management Board: CEO, Chief Finance Officer, Head of Operations, Head of Development and Head of HR.

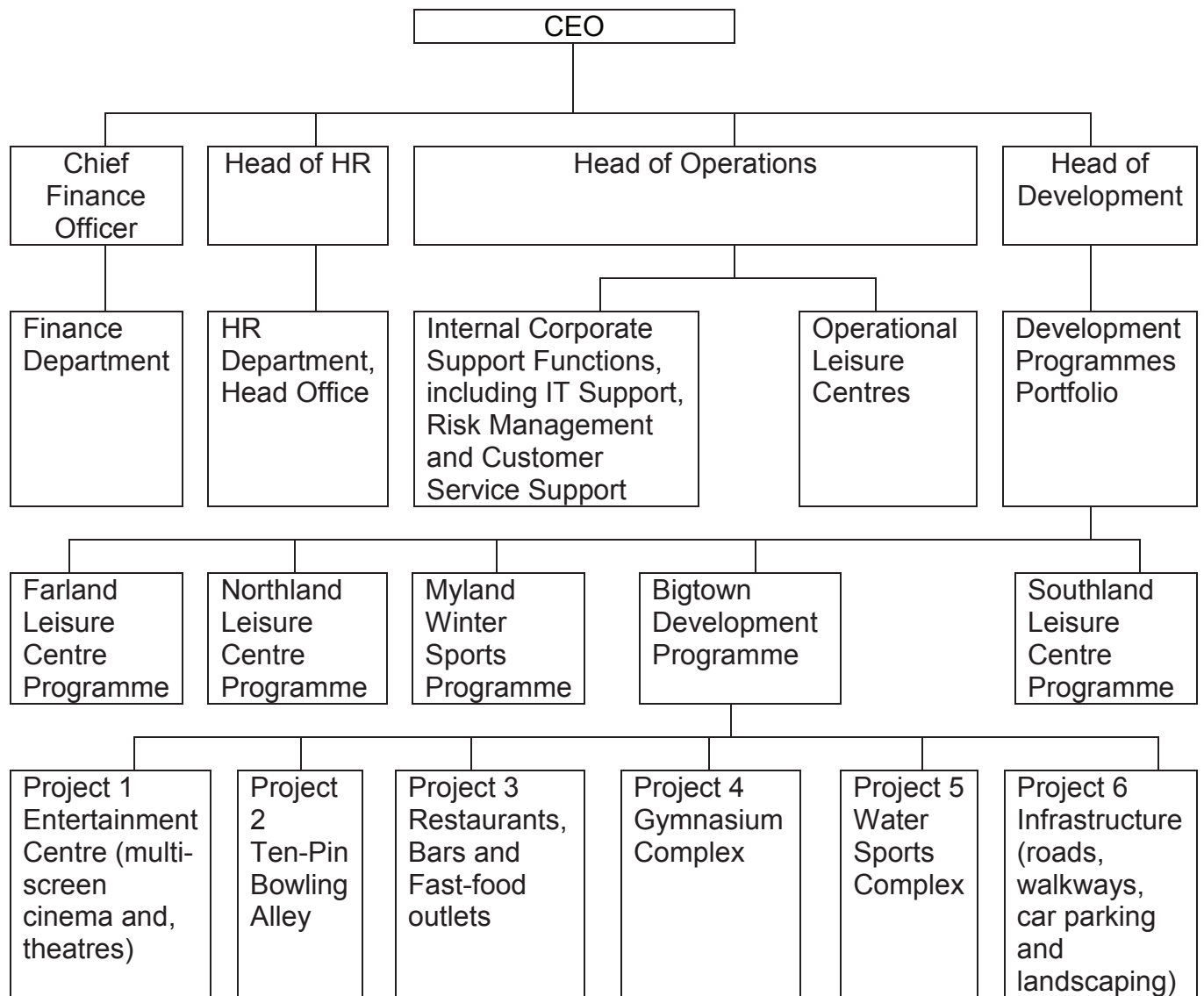
The Head of Operations is responsible for the day-today running of the existing leisure centres and for corporate support functions. This includes supervision of the implementation of Fun4U's risk improvement plans.

The Head of Development is responsible for the portfolio of development programmes for all Fun4U's new facilities until they are handed over to the Head of Operations.

Scenario continues on the next page

Continued

Fun4U Organization Chart



End of scenario

Question 1: Strategic Perspective - Additional Information

Fun4U Risk Maturity Assessment

A risk maturity assessment has concluded that the organization is at risk maturity level 1.

In order to improve the risk maturity, the Management Board has updated the strategic objectives.

The updated strategic objectives are:

- Safeguarding and improving the company's brand and reputation
- Improving the delivery of customer services.

The updated objectives have been included in the current risk management policy.

Impact scales for these objectives have been prepared and are mandated for use in all risk management strategies across the organization.

Question 2: Programme Perspective - Additional Information

Escalation of risks on the Bigtown Development Programme

Arrangements for escalating risks from the programme perspective to the strategic perspective:

Probability rating	Almost Certain	5	10	20	40	80
	Probable	4	8	16	32	64
	Likely	3	6	12	24	48
	Unlikely	2	4	8	16	32
	Rare	1	2	4	8	16
		Insignificant	Minor	Moderate	Major	Extreme
	Impact rating					

Associated with this grid are tolerance thresholds as follows:

- Escalate any risk with a value greater than 16 (>16)
- Manage any risk with a value less than or equal to 16 (≤16).

The assessments of Inherent and Residual probability and impact for six of the risks in the programme risk register are shown in the table below:

Risk ID	Inherent		Residual (Forecast)		Residual (Actual)	
	Probability	Impact	Probability	Impact	Probability	Impact
1	Likely	Major	Likely	Moderate		
2	Probable	Major			Unlikely	Major
3	Likely	Moderate			Unlikely	Minor
4	Almost Certain	Extreme	Unlikely	Extreme		
5	Probable	Moderate	Almost Certain	Moderate		
6	Probable	Minor			Probable	Extreme

Additional Information continues on the next page

continued

Extract from the Bigtown Development Programme Risk Register

Risk ID	Description
BDP1	<p>Cause: Fun4U is considering the purchase of the land adjacent to the Bigtown leisure centre so it can expand the leisure centre's facilities.</p> <p>Event: Fun4U may attract investors in the Bigtown Development Programme.</p> <p>Effect: Improved benefits from the Bigtown Development Programme.</p> <p>Response: Use expertise gained on other programmes to develop a compelling business case.</p>
BDP2	<p>Cause: Project 2, Ten-Pin Bowling Alley, completed late by the contractors.</p> <p>Event: Interdependent projects may be delayed.</p> <p>Effect: Slower recovery of programme investments.</p> <p>Response: Introduce severe financial penalties for late completion into the contracts of the building contractors.</p>
BDP3	<p>Cause: Building work in progress around the cinema complex.</p> <p>Event: Accidents involving Fun4U's staff or customers.</p> <p>Effect: Fun4U is sued for personal injury resulting in costs for Fun4U and harm to Fun4U's brand and reputation.</p> <p>Response: Transfer the responsibility for safety to the building contractor.</p>
BDP4	<p>Cause: Low customer take-up of all live services in the leisure centre complex.</p> <p>Event: Franchisees may go out of business.</p> <p>Effect: Failure to deliver programme benefits.</p> <p>Response: Ask franchisees for a contribution towards additional marketing costs.</p>
BDP5	<p>Cause: Funding for Project 3, Restaurants, Bars and Fast-food outlets, is not confirmed.</p> <p>Event: Delayed start to Project 3.</p> <p>Effect: Later return on the investment than indicated in the approved business case for the programme.</p> <p>Response: Secure an alternative source of funding so that Project 3 starts as planned.</p>
BDP6	<p>Cause: The local council's environmental policy.</p> <p>Event: The council may force additional bicycle parking to be made available.</p> <p>Effect: Additional cost for works post-delivery of the infrastructure project.</p> <p>Response: Increase the programme funding for the additional work.</p>

Question 4: Operational Perspective - Additional Information

Underperformance at two leisure centres.

The company turnover for the last financial year was €15.6 million. The profit was €3.45 million, which was a reduction on the previous year of nearly 15%. A management accountant discovered that a major contribution to the reduction was the underperformance of two existing leisure centres.

The Head of Operations has asked one of the leisure centre managers to prepare a cause and effect diagram. The purpose of the diagram is to illustrate the range of effects that are responsible for causing the financial underperformance.



The Practitioner Examination

FX03

Question Booklet

Candidate Number:

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Syllabus areas covered:

Question 1 - Strategic Perspective

Question 2 - Programme Perspective

Question 3 - Project Perspective

Question 4 - Operational Perspective

Question Number 1

Syllabus Area Strategic Perspective

Syllabus Area	Question Number	Part	Marks
Strategic Perspective	1	A	2

Answer the following questions about integrating risk management across the perspectives.
Remember to select 2 answers to each question

1	Which 2 reasons explain why risk management should be integrated across the four organizational perspectives?
	<ul style="list-style-type: none"> A Impact scales for each risk can be developed. B Risks affecting more than one perspective can be identified. C Individuals who will have risk responsibilities can be identified. D The top risks within each perspective can be identified. E Risks can be managed within the appropriate perspective.
2	Which 2 reasons explain why integrating risk management across the perspectives is important?
	<ul style="list-style-type: none"> A Existing risks which are not being managed may be identified by decision-makers at the appropriate perspective. B Departures from the steps in the 'risk management process guide' can be recorded for all activities within the perspectives. C A timeframe for reaching the target behaviour towards strategic risk management can be set. D Risks to objectives that are common or linked across the organization's divisions can be identified, assessed and controlled. E Actions for individual risks within perspectives can be prioritized.

Syllabus Area	Question Number	Part	Marks
Strategic Perspective	1	B	6

Using the additional information provided in the *Scenario Booklet*, answer the following questions about building and developing a risk-aware culture.

A risk-awareness project will be created to address the specific issues raised in the risk maturity assessment. It will also contribute to developing a risk-aware culture.

1	<p>Leisure centre managers are failing to escalate risks that may have a negative effect on Fun4U's reputation to the Management Board.</p> <p>Which action addresses this issue?</p> <p>A Perform a risk 'health check' to identify how many reputational risks there are.</p> <p>B Review and communicate the tolerance set for reputational risk.</p> <p>C Review the risk exposure due to reputational risks.</p> <p>D Brief leisure centre managers on the risk management process steps.</p>
2	<p>There is little risk-awareness by staff members.</p> <p>Which activity is NOT suitable for raising risk-awareness?</p> <p>A Launching a competition for staff to develop a risk-awareness logo.</p> <p>B Retaining accountability and responsibility for risk management within the Management Board.</p> <p>C Using staff inductions to advise new staff of their risk responsibilities.</p> <p>D Distributing to all staff a pen inscribed with the company intranet risk management address.</p>
3	<p>The company newsletter has never covered a risk management topic.</p> <p>Which possible future newsletter topic would help to embed risk management into the organization?</p> <p>A Confirmation that the next risk management maturity assessment is planned to start in six months.</p> <p>B A statement on the expected returns from the €50,000 investment made by the Management Board in the risk-awareness project.</p> <p>C Inclusion of a questionnaire to gain an understanding of staff's knowledge of risk and a gift offered for submitting it.</p> <p>D A focus on the concerns of the impact of the Bigtown Development Programme.</p>

Question continues on the next page

4	<p>There has been a reluctance to share the company's risk management policy with external stakeholders.</p> <p>Which is NOT a reason for communicating the company's risk management policy to external stakeholders?</p> <p>A Gain stakeholders' buy-in of the company's plans to build a risk-aware culture.</p> <p>B Promote the Management Board's positive attitude to risk management.</p> <p>C Inform stakeholders about the software that will be used to embed risk management practices in the head office.</p> <p>D Remind stakeholders that the company believes implementing improvements to customer service delivery is a high priority.</p>
5	<p>Which action BEST describes how the Management Board should start to clarify the approach to defining risk appetite?</p> <p>A Calculate the total exposure for each programme.</p> <p>B Review the company's risk capacity.</p> <p>C Agree a figure which if exceeded would trigger a report from the Bigtown Development Programme Manager.</p> <p>D Define a figure for risk appetite as the programme budget +10%.</p>
6	<p>Which statement explains the action that should be taken by the new risk awareness project after the strategic objectives have been re-written?</p> <p>A Use the 'identify - context' step to ensure the project's objectives are aligned to the revised strategic objectives.</p> <p>B Use the 'identify - risks' step to ensure the 'causes' of all risks in the project are aligned to the revised strategic objectives.</p> <p>C Use the 'assess - estimate' step to ensure the scoring for risks in the project are aligned to the revised strategic objectives.</p> <p>D Use the 'plan' step to ensure that threat responses for risks in the project minimize the impact on the revised strategic objectives.</p>

Syllabus Area	Question Number	Part	Marks
Strategic Perspective	1	C	6

Answer the following question about the 'plan' process step.

There are two leisure centres at Myland. These are currently underperforming because management attention is distracted by the need to focus on the planning of a new winter sports venue. The following risk has been identified:

Cause: Continued poor performance of both centres.

Event: Both Myland leisure centres may be forced to close.

Effect: Adverse publicity from the closures will impact on Fun4U's safeguarding brand and reputation objective.

A range of risk responses for dealing with this risk have been identified.

Column 1 is a list of the responses identified by the risk manager. For each response in Column 1, select from Column 2 the risk response option that matches the response. Each selection from Column 2 may be used once, more than once or not at all.

	Column 1	Column 2
1	Request weekly performance trend reports from the Myland leisure centre managers.	A Avoid a threat
2	Enter into an agreement that includes benefits and penalties, with a company specializing in business recovery of leisure centres.	B Reduce a threat
3	Continue with planning the winter sports venue.	C Transfer the risk
4	Incentivize the Myland management teams to reduce the poor performance.	D Share the risk
5	Sell the Myland leisure centres.	E Accept the risk
6	Draft a press release should the two Myland leisure centres have to close.	F Prepare contingent plans

Syllabus Area	Question Number	Part	Marks
Strategic Perspective	1	D	6

Following a report on corporate governance by the external auditors, the following risk has been identified:

Cause: Lack of verification of cash transactions.

Event: Significant opportunity for staff to commit fraud.

Effect: Adverse impact on the company's reputation.

Lines 1 to 6 in the table below consist of an assertion statement and a reason statement. For each line identify the appropriate option, from options A to E, that applies. Each option can be used once, more than once or not at all.

Option	Assertion	Reason
A	True	True AND the reason explains the assertion
B	True	True BUT the reason does not explain the assertion
C	True	False
D	False	True
E	False	False

	Assertion		Reason
1	The auditor's report should be used during the 'identify – risks' step.	BECAUSE	Lack of clarity in threats or opportunities causes misunderstanding.
2	A suitable early warning indicator for this risk is 'Small cash discrepancies over a period of time'.	BECAUSE	Changes in 'early warning indicators' signify a potential rise or fall in performance.
3	The impact assessment can be measured in terms of loss of customers as a result of the fraud.	BECAUSE	Impact scales represent the significance of a loss or gain for a particular risk.
4	The link with other fraud risks should be identified when performing the 'assess - evaluate' step.	BECAUSE	The 'assess - evaluate' step prioritizes risks in the order of their importance and urgency.
5	The response type should be exploit or enhance.	BECAUSE	An 'exploit' or 'enhance' response type is used when the risk provides an opportunity.
6	The external auditor should be identified as the risk owner.	BECAUSE	The 'assurance' role confirms compliance with internal control.

Question Number 2

Syllabus Area Programme Perspective

Syllabus Area	Question Number	Part	Marks
Programme Perspective	2	A	2

Answer the following questions about 'expected value' from the programme perspective.
Remember to select 2 answers to each question

1	Which 2 items are required to calculate the 'expected value' of a threat?
A	The total cost of implementing a response.
B	The average probability of all programme threats.
C	The average cost of the impact.
D	The amount by which the impact is reduced after completing response actions.
E	The estimated chance of the threat occurring.
2	Which 2 factors should be considered when assessing a pre-response 'summary expected value'?
A	Whether risks are mutually exclusive.
B	The choice of response options for each risk.
C	The interdependencies between individual risks.
D	The effectiveness of response actions.
E	The estimated timing of occurrence of the risks.

Syllabus Area	Question Number	Part	Marks
Programme Perspective	2	B	6

Using the Escalation of risks on the Bigtown Development Programme provided as additional information for this question in the *Scenario Booklet*, answer the following questions.

1	Based on the inherent probability and impact assessments, how many risks should have been escalated to the strategic perspective?
A	0
B	1
C	3
D	5
2	Based on the forecast and actual assessments of residual probability and impact, how many risks should be escalated to the strategic perspective?
A	0
B	1
C	3
D	5
3	<p>The residual aggregated risk exposure is forecast to be above the risk tolerance for the programme. The company risk specialist has assured the Bigtown Development Programme Manager of the validity of the risk assessments of the programme risks.</p> <p>Which is the FIRST action that should be taken by the Bigtown Development Programme Board?</p>
A	Request the Bigtown Development Programme Manager to re-assess the probability and impact of the programme risks.
B	Ask the Management Board to review the tolerance for the programme.
C	Request the Bigtown Development Programme Manager to re-examine the options available for managing the risks.
D	Request the risk specialist to report on the lessons learned from the completed risk response actions.

Question continues on the next page

4	<p>A newly-identified risk has been escalated straight to the Bigtown Development Programme Board from the Water Sports Complex project. This has been done without the Bigtown Development Programme Manager's involvement. The cause of the risk is a dependency on the release of resources from another programme.</p> <p>Which action should the Bigtown Development Programme Board take?</p> <p>A Escalate the new risk to the Management Board.</p> <p>B Ask the programme causing the risk to own it.</p> <p>C Ask the Water Sports Complex project to re-assess the residual impact to ensure that the risk is within tolerance.</p> <p>D Ask the Bigtown Development Programme Manager to assess the impact caused by this risk.</p>
5	<p>Risk 5 is a threat to the Bigtown Development Programme. Actions to reduce both the probability and impact have been completed as forecast.</p> <p>Which statement describes the current status of the risk?</p> <p>A The action to manage the probability has failed.</p> <p>B The action to manage the probability has been successful.</p> <p>C The action to manage the impact has been successful.</p> <p>D Actions to manage the probability and impact have been successful.</p>
6	<p>Actions to mitigate Risk 6 have been completed and no further actions are possible. The risk will impact the revenue, cash flow and profit of Fun4U.</p> <p>Which action should the Bigtown Development Programme Board take?</p> <p>A Request the Bigtown Development Programme Manager to produce a report explaining why the risk actions have failed.</p> <p>B Escalate the risk to the Management Board together with information on the impact to the company's financial objectives.</p> <p>C Request the Bigtown Development Programme Manager to closely monitor the risk and include an update in the next 'risk progress report'.</p> <p>D Instruct the Bigtown Development Programme Manager to re-assess the risk as being within tolerance.</p>

Syllabus Area	Question Number	Part	Marks
Programme Perspective	2	C	6

Using the Scenario, answer the following question about using a RACI diagram to identify appropriate responsibilities when producing the Bigtown Development Programme risk progress report.

Column 1 is a list of activities for producing the monthly risk progress report. Column 2 is a list of the participatory roles from the RACI diagram. For each activity in Column 1, select from Column 2 the appropriate participatory role. Each selection from Column 2 may be used once, more than once or not at all.

	Column 1	Column 2
1	The relevant project manager on the Bigtown Development Programme collects the project data on a monthly basis.	A Responsible B Accountable C Consulted D Informed
2	The Bigtown Development Programme Manager validates the data.	
3	The programme office collates all project risk progress reports and performs a preliminary analysis for the Bigtown Development Programme Manager.	
4	The Head of Development is the owner of the risk progress report.	
5	The Head of Operations will receive a summary of the risk progress report.	
6	The CEO will be asked for feedback on the risk progress report summary before publication.	

Syllabus Area	Question Number	Part	Marks
Programme Perspective	2	D	6

Using the Extract from the Bigtown Development Programme Risk Register provided as additional information for this question in the *Scenario Booklet*, answer the following question about the responses to the risks.

Lines 1 to 6 in the table below consist of an assertion statement and a reason statement. For each line identify the appropriate option, from options A to E, that applies. Each option can be used once, more than once or not at all.

Option	Assertion	Reason	
A	True	True	AND the reason explains the assertion
B	True	True	BUT the reason does not explain the assertion
C	True	False	
D	False	True	
E	False	False	

	Assertion		Reason
1	The risk response for risk BDP 1 should be recorded as exploit an opportunity.	BECAUSE	'Exploiting an opportunity' increases the probability of an opportunity occurring to 100%.
2	The risk response for risk BDP 2 is avoid a threat.	BECAUSE	A penalty clause in a contract is an example of the 'avoid a threat' response.
3	The risk response for risk BDP 3 should prevent Fun4U from being sued.	BECAUSE	The 'transfer' risk response also transfers ownership for reputational impacts.
4	The risk response for risk BDP 4 is an example of the share the risk response.	BECAUSE	A pain/gain contractual arrangement encourages cooperation between the parties to the contract.
5	The risk that an alternative source of funding can NOT be found for risk BDP 5 should be recorded as a secondary risk.	BECAUSE	The 'plan' step identifies 'secondary risks'.
6	The risk response for risk BDP 6 is an example of preparing a fallback plan.	BECAUSE	'Fallback' plans support the acceptance of a risk.

Question Number 3

Syllabus Area Project Perspective

Syllabus Area	Question Number	Part	Marks
Project Perspective	3	A	2

Answer the following questions about the recommended contents of a 'risk management process guide' and of a 'risk management strategy'.
Remember to select 2 answers to each question

1	Which 2 items should be included in a 'risk management process guide'?
A	The process to follow if a risk exceeds tolerance.
B	Allowable deviations from the risk management process.
C	The values used to estimate risks.
D	The responsibility for reviewing changes to the risk processes.
E	The location of a blank risk register for a new project.
2	Which 2 items should be included in a project's 'risk management strategy'?
A	The individuals targeted for an initiative to improve their risk management practices.
B	The trigger dates for actions to control risks.
C	The movement over time of the overall risk exposure for the activity.
D	The definition of how much risk is acceptable on an activity.
E	A description of how risks will be rated.

Syllabus Area	Question Number	Part	Marks
Project Perspective	3	B	6

Answer the following questions about the application of the M_o_R process steps.

Project 6, Infrastructure. The infrastructure project is planned to take 16 months and is about to start. It will deliver the multi-storey car parking, traffic infrastructure and landscaping elements of the Bigtown Development Programme.

The following significant risk has been identified:

CAUSE: Changes to environmental regulations.

EVENT: The local planning authority may not grant planning approval.

EFFECT: The project specification will have to be changed incurring extra cost and delays.

1	Which is the FIRST action that the project manager should take to manage this risk?	
	A	Review the planning regulations used by the planning authority to understand the changes.
	B	Review the influence Fun4U has with the local planning authority.
	C	Review the project risk management strategy to understand the scope of the project.
	D	Define an early warning indicator for planning permission delays
2	Which is the BEST action to actively engage the local planning authority as stakeholders?	
	A	Inform the local planning authority of the project objectives.
	B	Ask the local planning authority for reports on lessons learned for projects of this type.
	C	Ask the local planning authority to provide the latest guidance on road marking standards.
	D	Invite local planning authority representatives to a meeting to understand their view of the identified risk.
3	The project manager is performing the 'assess - estimate' step on the identified risk. The risk is estimated to exceed tolerance.	
	Which statement explains how the project's risk management strategy should be used in the 'assess - estimate' step?	
	A	To identify the procedure for escalating the risk from the project to the programme.
	B	To review the benefits of the project to Fun4U to ensure the effect of the risk is understood.
	C	To identify how a change to the project specification would affect the performance of the programme.
D	To review the risk management expectations of the programme as a project stakeholder.	

Question continues on the next page

4	<p>A contracted supplier is responsible for the delivery of the multi-storey car park on the project. The supplier has submitted a suggestion to improve the likelihood of Fun4U gaining planning approval.</p> <p>Which action should be taken by the project manager to manage the supplier's suggestion?</p> <p>A Develop actions to manage this as a reduce a threat response.</p> <p>B Reject the suggestion on the basis that suppliers should NOT own actions for Fun4U's risks.</p> <p>C Identify this suggestion as a secondary risk.</p> <p>D Review the project objectives to consider the impact of the suggestion.</p>
5	<p>The Project Board has asked the project manager to provide information on the total project risk exposure.</p> <p>Which action is NOT required to assess the total project risk exposure?</p> <p>A Check to ensure the proximity for the stated risk is within tolerance.</p> <p>B Check for dependencies between the stated risk and others in the project risk register.</p> <p>C Check for correlation between the stated risk and others in the project risk register.</p> <p>D Identify any secondary risks caused by the actions to mitigate the stated risk.</p>
6	<p>The infrastructure project is now at the end of month one. The project manager has decided to implement new risk management processes as part of a company-wide initiative.</p> <p>Which is NOT an action that should be performed during the 'identify - context' step for the implementation?</p> <p>A Review the implementation objectives.</p> <p>B Review project risk registers from similar business process initiatives.</p> <p>C Review the availability of resources for carrying out risk response actions.</p> <p>D Review the timing of risk activities.</p>

Syllabus Area	Question Number	Part	Marks
Project Perspective	3	C	6

Answer the following question about revising the project's risk management strategy.

A project manager within the Bigtown Development Programme is reviewing the risk management strategy with the project's stakeholders. A number of issues have been raised.

Column 1 is a list of issues identified by the stakeholders. Column 2 is a partial list of sections in the project 'risk management strategy'. For each issue in Column 1, select from Column 2 the appropriate section of the project 'risk management strategy' which needs to be revised to address the issues.

Each selection from Column 2 may be used once, more than once or not at all.

	Column 1	Column 2
1	Stakeholders often disagree on whether the likelihood of a risk is medium or high.	A Summary of risk management process
2	There are several different views on what is meant by 'risk exposure'.	B Records
3	It was agreed that owners of project risks need to be appointed before planning response actions.	C Reporting
4	There is uncertainty about who are the project's formal points of contact for suppliers.	D Roles and responsibilities
5	Stakeholders require clarity on how the types of risk are grouped.	E Scales for estimating probability and impact
6	There have been reports of incorrectly formatted risk registers being used on the project.	F Risk categories
		G Early warning indicators for KPIs
		H Glossary of terms

Syllabus Area	Question Number	Part	Marks
Project Perspective	3	D	6

Answer the following question about whether risk management responsibilities are being performed by the appropriate project roles.

The Project Board of Project 6, Infrastructure, is reviewing the risk progress report produced by the Project Manager.

Extract from a report by the Project Manager.

Summary	The project has 17 risks.
Risks 4, 8, 10 and 12	These four risks have an inherent risk score that is above tolerance. Successfully completed risk response actions will bring the residual risk score for each risk below tolerance.
Risk 3	The project team have assessed this risk as a low probability but a very high impact. The risk is within tolerance but will delay project completion by four weeks if it occurs.
Risk 5	This risk is proving costly to control. The actions to mitigate this risk will exceed the allocated risk budget for the project.
Recommendation	Review the budget required for managing the risk responses.

Lines 1 to 6 in the table below consist of an assertion statement and a reason statement. For each line identify the appropriate option, from options A to E, that applies. Each option can be used once, more than once or not at all.

Option	Assertion	Reason	
A	True	True	AND the reason explains the assertion
B	True	True	BUT the reason does not explain the assertion
C	True	False	
D	False	True	
E	False	False	

	Assertion		Reason
1	The Project Board should be alerted to the current status of risks 4, 8, 10 and 12.	BECAUSE	The 'senior team' reviews the overall impact of risk on the project.
2	The Project Sponsor should confirm the estimated effect of Risk 3.	BECAUSE	The 'senior manager' role ensures accuracy of risk estimates.

Question continues on the next page

Question continued

	Assertion		Reason
3	It is NOT appropriate for the Project Manager to ask the team to assess the impact of Risk 3.	BECAUSE	The 'team' role verifies the correct application of the 'risk management strategy' when assessing a risk.
4	The impact of Risk 3 should require an escalation of the risk.	BECAUSE	Escalation is determined by the escalation rules defined in the 'risk management policy'.
5	The role of the Project Sponsor is to review the controls identified for Risk 5. This should take place before a new budget for managing risk responses is agreed.	BECAUSE	Application of the 'informs decision-making' principle ensures the Project Sponsor is informed about all available mitigation options for managing risk exposure.
6	The Project Board should identify how much additional budget is required to manage risk responses for the remainder of the project.	BECAUSE	The 'senior team' agrees how much budget is available for risk management in a project.

Question Number 4

Syllabus Area Operational Perspective

Syllabus Area	Question Number	Part	Marks
Operational Perspective	4	A	2

Answer the following questions about how the principles provide the foundation for scalable and context-specific practices.

Remember to select 2 answers to each question.

1	Which 2 statements support the ‘aligns with objectives’ principle?
A	Understanding the amount of risk an activity is willing to accept.
B	Making sure that risk management is more than just a compliance-based approach.
C	Understanding the level of involvement by stakeholders in an organizational activity.
D	Ensuring that risks are kept up to date with the organization’s changing environment.
E	Ensuring that management is forewarned of events that may affect objectives.
2	Which 2 statements support the ‘facilitates continual improvement’ principle?
A	Establishing procedures so that risks are managed at the correct level.
B	Defining the levels of risk exposure that will cause an escalation if exceeded.
C	Benchmarking the organization's current risk management maturity.
D	Implementing controls so that mistakes are not repeated.
E	Recognizing and rewarding staff who manage risk proactively.

Syllabus Area	Question Number	Part	Marks
Operational Perspective	4	B	6

The Head of Operations conducted a survey of staff at one of the Myland leisure centres for their views on how risk management was applied. A number of the concerns raised are shown below.

Answer the following questions for each concern raised about applying the methods for embedding and reviewing risk management at the operational perspective.

1	The targets for the number of incidents have remained the same even though the leisure centre is attracting more families.	
	Which principle needs to be embedded to address this issue?	
	A	Aligns with objectives.
	B	Engages stakeholders.
	C	Facilitates continual improvement.
2	There is an increasing likelihood that the leisure centre will fail health and safety checks because new regulations have not been applied.	
	Which principle needs to be embedded to address this risk?	
	A	Aligns with objectives.
	B	Fits the context.
	C	Informs decision-making.
3	Staff members are concerned about repercussions from discussing risks with leisure centre managers.	
	Which principle needs to be embedded to address these concerns?	
	A	Fits the context.
	B	Engages stakeholders.
	C	Informs decision-making.
4	There is no procedure to raise concerns with existing risk management practices.	
	Which principle needs to be embedded to address this issue?	
	A	Aligns with objectives.
	B	Fits the context.
	C	Engages stakeholders.
D	Creates a supportive culture.	

Question continues on the next page

5	Suppliers' views of risks are NOT actively being sought. Which principle needs to be embedded to address this issue?
A	Fits the context.
B	Engages stakeholders.
C	Facilitates continual improvement.
D	Creates a supportive culture.
6	No-one is sure how to use the techniques defined for assessing risks to the leisure centre objectives. Which principle needs to be embedded to address this issue?
A	Aligns with objectives.
B	Provides clear guidance.
C	Informs decision-making.
D	Creates a supportive culture.

Syllabus Area	Question Number	Part	Marks
Operational Perspective	4	C	6

Using the additional information provided for this question in the *Scenario Booklet*, answer the following question about creating an entry in the operational issue register.

Column 1 is a list of statements that relate to the issue. For each statement in Column 1, decide if it should form part of the issue register entry and select the appropriate answer from Column 2. Each selection from Column 2 may be used once, more than once or not at all.

	Column 1	Column 2
1	Active.	A NOT included
2	Two of the existing leisure centres have lost a number of franchises over the last six months.	B Raised by
3	Reduction in profit on the previous year of nearly 15%.	C Issue description
4	Manager of one of the underperforming centres.	D Severity
5	Prepare a cause and effect diagram.	E Action required
6	Management accountant.	F Issue status

Syllabus Area	Question Number	Part	Marks
Operational Perspective	4	D	6

Answer the following question about risk descriptions.

Below is an extract of a progress report from a leisure centre (contains errors).

Item	Description
New Issue 1	Staff member has been injured after slipping on a wet floor.
New Risk 1	Cause: Staff members at a contracted food supplier have gone on strike. Event: Food outlets are NOT able to supply meals to customers. Effect: Loss of revenue.
New Risk 2	Cause: Higher transport costs. Event: Customer numbers have fallen. Effect: Loss of revenue.
New Risk 3	Cause: Lack of staff training. Event: New staff may NOT know all the leisure centre facilities. Effect: Staff are better able to handle customer enquiries.
New Risk 4	Cause: Introduction of new special offers. Event: Overall revenue may be reduced. Effect: Fun4U's shareholder expectations NOT met.

Lines 1 to 6 in the table below consist of an assertion statement and a reason statement. For each line identify the appropriate option, from options A to E, that applies. Each option can be used once, more than once or not at all.

Option	Assertion	Reason
A	True	True AND the reason explains the assertion
B	True	True BUT the reason does not explain the assertion
C	True	False
D	False	True
E	False	False

	Assertion		Reason
1	New Issue 1 should be used when identifying operational risks.	BECAUSE	New issues maybe a source of new risks.

Question continues on the next page

Question continued

	Assertion		Reason
2	New Risk 1 should NOT be entered into the 'risk register'.	BECAUSE	A risk 'cause' is only used for describing current internal situations and events.
3	New Risk 2 is correctly described.	BECAUSE	A risk 'event' describes the element of uncertainty.
4	New Risk 3 is correctly described.	BECAUSE	A correct risk description links the 'cause', 'event' and 'effect' of a risk.
5	New Risk 4 should be recorded in the strategic risk register.	BECAUSE	Operational risks consider the impact on revenue.
6	New Risk 4 may re-occur every time a special offer is introduced.	BECAUSE	Risks that occur more than once should be included in 'risk checklists' for the activity.