

# The Types of Risk

## Assessment 2

Total Marks: 30

1. Short Questions:

- I. Define the following terms: (18)
  - a) Equity
  - b) Commodity Risk
- II. What is the difference between 'micro political risk' and 'macro political risk'?
- III. What is credit risk? Outline main categories of credit risk.
- IV. Outline the main categories of social risk.
- V. Outline the benefits of technology risk management.
- VI. The following table contains risk types and categories. Match the appropriate risk type and risk category in each case.

| Risk type        | Risk Category                    |
|------------------|----------------------------------|
| Operational risk | Business related loans           |
| Credit Risk      | Indemnity commission             |
| Market Risk      | Theft and fraud                  |
|                  | Change in foreign exchange rates |
|                  | bribery                          |
|                  | Health and safety issues         |
|                  | Money laundering                 |

2. "Financial risk is one of the high priority types for every business". Discuss (3)
3. "Introduction of genuine environmental policies may enable a business to attract more customer, investors and employees". Discuss (3)

## Case Study

Hairdressing has always been an important part of David's life. Back in the mid nineties his parents opened a small hairdressing business in Derby. Today, the salon remains very much a family concern.

Running a busy unisex salon with ten employees, however, involves much more than cutting, styling or colouring hair.

There are key safety issues to consider too. Hairdressing products can carry risks of eye or skin irritation for both staff and customers. Water, through the wash basins, is a major area of risk - people might slip on wet floors.

With wet work -- when staff are constantly shampooing 20-30 times a day - there's a risk of occupational dermatitis, a major issue in the industry." These are the issues pointed out by one of David's friends who suggested that apart from usual insurance they should have proper risk management procedures in

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place. And a risk assessment should be carried out for the business by a professional. David approached a risk management professional who carried out risk assessment for the business.

Keeping the above case in mind please answer the following questions:

(6)

1. Which type of risk is the business faced with?
2. Is there any environmental issue involved?
3. Is business faced with any operational risk? If so which type of risk it is?
4. What could be the benefits for the implementation of risk management for this business?