

MoR[®] Practitioner

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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 APMG 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 (H 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.

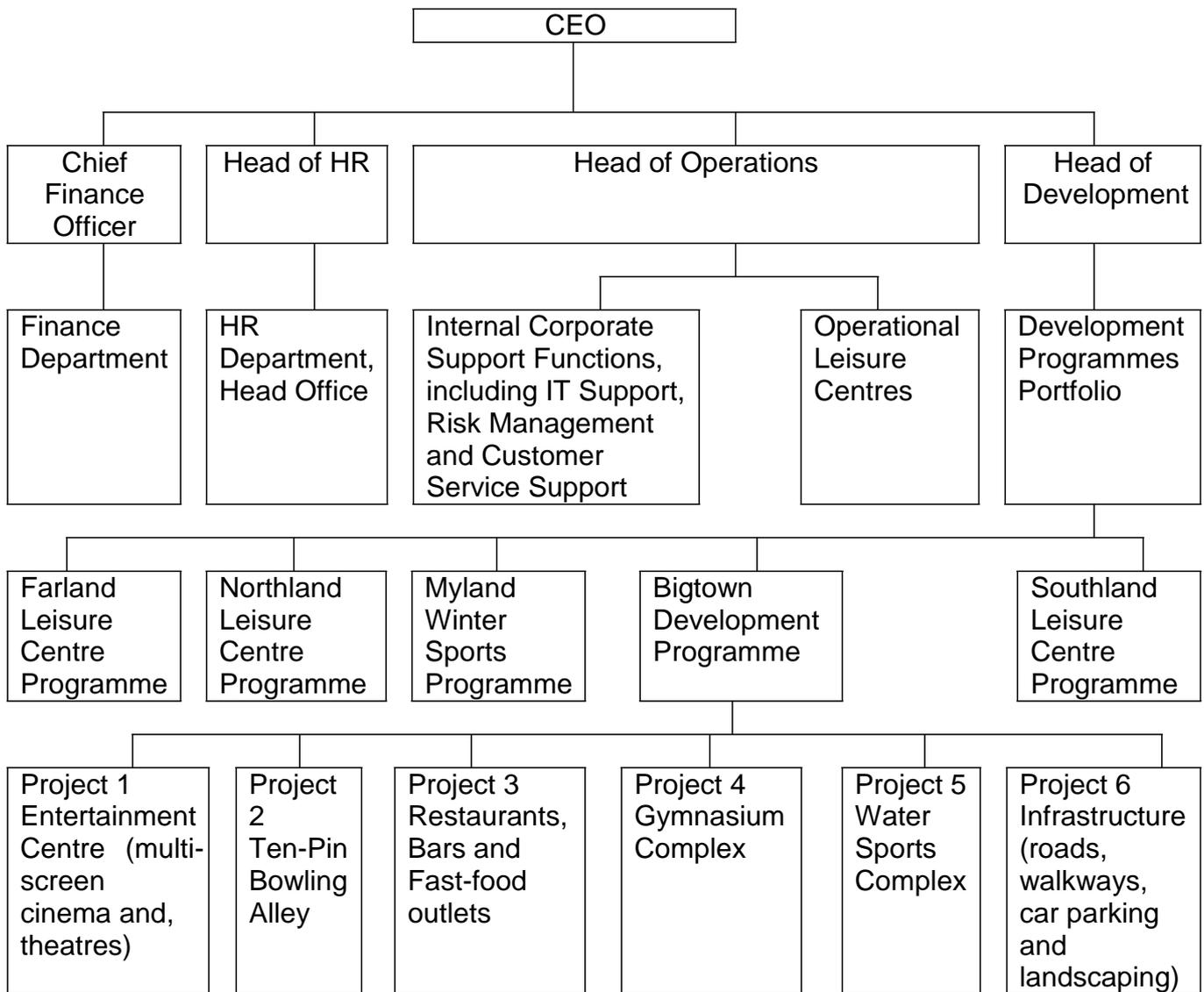
The Head of Operations is responsible for the day-today running of the existing leisure centres and for corporate support functions. This includes supervision of the implementation of Fun4U's risk improvement plans.

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	<p>Which 2 reasons explain why risk management should be integrated across the four organizational perspectives?</p> <p>A Impact scales for each risk can be developed.</p> <p>B Risks affecting more than one perspective can be identified.</p> <p>C Individuals who will have risk responsibilities can be identified.</p> <p>D The top risks within each perspective can be identified.</p> <p>E Risks can be managed within the appropriate perspective.</p>
2	<p>Which 2 reasons explain why integrating risk management across the perspectives is important?</p> <p>A Existing risks which are not being managed may be identified by decision-makers at the appropriate perspective.</p> <p>B Departures from the steps in the 'risk management process guide' can be recorded for all activities within the perspectives.</p> <p>C A timeframe for reaching the target behaviour towards strategic risk management can be set.</p> <p>D Risks to objectives that are common or linked across the organization's divisions can be identified, assessed and controlled.</p> <p>E Actions for individual risks within perspectives can be prioritized.</p>

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 Leisure centre managers are failing to escalate risks that may have a negative effect on Fun4'Us reputation to the Management Board.

Which action addresses this issue?

- A Perform a risk 'health check' to identify how many reputational risks there are.
- B Review and communicate the tolerance set for reputational risk.
- C Review the risk exposure due to reputational risks.
- D Brief leisure centre managers on the risk management process steps.

2 There is little risk-awareness by staff members.

Which activity is **NOT** suitable for raising risk-awareness?

- A Launching a competition for staff to develop a risk-awareness logo.
- B Retaining accountability and responsibility for risk management within the Management Board.
- C Using staff inductions to advise new staff of their risk responsibilities.
- D Distributing to all staff a pen inscribed with the company intranet risk management address.

3 The company newsletter has never covered a risk management topic.

Which possible future newsletter topic would help to embed risk management into the organization?

- A Confirmation that the next risk management maturity assessment is planned to start in six months.
- B A statement on the expected returns from the €50,000 investment made by the Management Board in the risk-awareness project.
- C Inclusion of a questionnaire to gain an understanding of staff's knowledge of risk and a gift offered for submitting it.
- D A focus on the concerns of the impact of the Bigtown Development Programme.

Question continues on the next page

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

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?
	<ul style="list-style-type: none"> 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'?
	<ul style="list-style-type: none"> 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	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 Fun'4sUriskS.</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?
	<ul style="list-style-type: none"> 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?
	<ul style="list-style-type: none"> 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.
D	Creates a supportive culture.
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.
D	Facilitates continual improvement.
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.
D	Creates a supportive culture.
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.



The Practitioner Examination

Note: For Multiple Response (MR) questions, 1 point is scored if and only if all correct options are selected. Otherwise 0 points are scored.

Marking Scheme

Exam Paper: GB-FX03-1.3

Question	Part	Type	Response	A	B	C	D	E	F	G	H	I		
1	(IB)	A	MR	1	0	1	0	0	1					
				2	1	0	0	1	0					
				B	CL	1	0	1	0	0				
						2	0	1	0	0				
						3	0	0	1	0				
						4	0	0	1	0				
	5	0	1			0	0							
	6	1	0			0	0							
	C	MG	1	0	0	0	0	1	0					
			2	0	0	0	1	0	0					
			3	0	0	0	0	1	0					
			4	0	1	0	0	0	0					
			5	1	0	0	0	0	0					
			6	0	0	0	0	0	1					
	D	AR	1	1	0	0	0	0						
			2	0	1	0	0	0						
			3	0	1	0	0	0						
			4	0	0	1	0	0						
			5	0	0	0	1	0						
			6	0	0	0	1	0						

Question	Part	Type	Response	A	B	C	D	E	F	G	H	I	
2	(IC)	A	MR	1	0	0	1	0	1				
				2	1	0	1	0	0				
				B	CL	1	0	0	1	0			
						2	0	0	1	0			
						3	0	0	1	0			
						4	0	0	0	1			
	5	1	0			0	0						
	6	0	1			0	0						
	C	MG	1	1	0	0	0						
			2	1	0	0	0						
			3	1	0	0	0						
			4	0	1	0	0						
			5	0	0	0	1						
			6	0	0	1	0						
	D	AR	1	0	0	0	1	0					
			2	0	0	0	0	1					
			3	0	0	0	0	1					
			4	0	0	0	1	0					
			5	0	1	0	0	0					
			6	0	0	0	1	0					

Question	Part	Type	Response	A	B	C	D	E	F	G	H	I
3(ID)	A	MR	1	0	0	0	1	1				
			2	0	0	0	1	1				
	B	CL	1	1	0	0	0					
			2	0	0	0	1					
			3	1	0	0	0					
			4	1	0	0	0					
C	MG	5	1	0	0	0						
		6	0	0	1	0						
		1	0	0	0	0	1	0	0	0		
		2	0	0	0	0	0	0	0	0	1	
		3	1	0	0	0	0	0	0	0	0	
		4	0	0	0	1	0	0	0	0	0	
D	AR	5	0	0	0	0	0	1	0	0		
		6	0	1	0	0	0	0	0	0	0	
		1	1	0	0	0	0					
		2	0	0	0	0	1					
		3	0	0	0	0	1					
		4	0	0	0	1	0					

Question	Part	Type	Response	A	B	C	D	E	F	G	H	I		
4 (IE)	A	MR	1	1	0	0	1	0						
			2	0	0	1	1	0						
			B	CL	1	1	0	0	0					
					2	0	1	0	0					
					3	0	0	0	1					
					4	0	0	0	1					
	C	MG	5	0	1	0	0							
			6	0	0	0	1							
			1	0	0	0	0	0	1					
			2	0	0	1	0	0	0					
			3	0	0	1	0	0	0					
			4	1	0	0	0	0	0					
	D	AR	5	0	0	0	0	1	0					
			6	0	1	0	0	0	0	0				
			1	1	0	0	0	0						
			2	0	0	1	0	0						
			3	0	0	0	1	0						
			4	0	0	0	1	0						



The Practitioner Examination

Rationale

Exam Paper: GB-FX03-1.3

Question: 1, Syllabus: IB, Part: A, Type: MR, Syllabus Ref: PE0212, Level: 2

1	A	Incorrect:	Impact scales are developed for risks to an activity within a perspective, not for individual risks. Ref 6.2.4 and A.3.1.
	B	Correct:	Integrating risk management across perspectives identifies risks that may be affecting more than one perspective together with the relationship between them. Ref 6.7.
	C	Incorrect:	This is not a reason for integrating risk management. Identifying the individuals to carry out risk responsibilities is a task for each activity within the perspectives; the individuals should be recorded in the activity's 'risk management strategy'. Ref 6.7, A.2.1 and A.3.1.
	D	Incorrect:	Identifying the top risks at each perspective is an important element of managing risks within the perspectives. However, this does not identify the relationship of risks that are related to risks in other perspectives. Ref 6.7.
	E	Correct:	A purpose of integrating risk management across perspectives is to ensure that risks are being managed at the correct perspective. To enable this, a combined escalation and delegation procedure needs to be in place. Ref 6.7.
2	A	Correct:	Managers, decision-makers and other stakeholders have the risk information they need from their perspective. This is based on which risks exist and are being managed (or not) elsewhere in the organization. Ref 6.7.
	B	Incorrect:	Recording departures from the 'risk management process guide' allows activities within perspectives to adapt the risk management process. However it does not explain why integrating risk management across perspectives is important. Ref 6.7.
	C	Incorrect:	Setting a timeframe for achieving target behaviour towards strategic risk management would be an important part of a 'risk improvement plan'. However, integrating risk management across perspectives would require an improvement plan for all perspectives. Ref 6.7.
	D	Correct:	Organizations decompose their strategic objectives into a hierarchy of objectives which are nested within each perspective. Integrating risk management across the perspectives enables risks to objectives to be identified, assessed and controlled at the appropriate perspective. Ref 6.7.
	E	Incorrect:	Actions for risks can be prioritized according to criteria such as maximum change for least cost, cost-benefit and the potential for secondary risks. This would not help to understand the relationships between risks. Ref 6.7.

Question: 1, Syllabus: IB, Part: B, Type: CL, Syllabus Ref: ER0302, Level: 2

1	A	Incorrect:	A risk 'health check' is a tool for checking the health of current risk management and for identifying areas of improvement. The 'health check' will not help resolve the issue of failing to escalate risks. Ref C.1.
	B	Correct:	Ensuring the tolerance is set correctly for reputational risks will help staff understand when a risk should be escalated. The communicate activity will help ensure the message is received by all 'risk owners' and risk managers. Ref 2.6.
	C	Incorrect:	This action would focus only on how much reputational risk there is. This will not help resolve the issue of failing to escalate risks. Ref Glossary.
	D	Incorrect:	Briefing the leisure centre managers on the risk process steps would not focus on the need to escalate reputational risks. Ref 5.5.
2	A	Incorrect:	Launching a competition for the logo would ultimately be making use of marketing materials to help raise risk-awareness. Ref 5.5.
	B	Correct:	The Management Board have a responsibility to create a management infrastructure to ensure that risk is managed and integrated across the whole business. Keeping risk within the 'senior team' is not an effective way of raising risk awareness. Ref 5.5.
	C	Incorrect:	Using developed induction materials is a method of raising risk-awareness. Ref 5.5.
	D	Incorrect:	Distributing a pen is making use of marketing materials to help raise risk-awareness. Ref 5.5.
3	A	Incorrect:	Confirming the timing of risk maturity assessments is limited to informing readers rather than encouraging them to get involved. Ref 5.5.
	B	Incorrect:	A statement on the expected returns from the investment made by the Management Board is limited to informing readers. It does not encourage them to get involved. Ref 5.5.
	C	Correct:	Asking for and using feedback is a good way of gauging risk management awareness. Including this as part of the newsletter will involve staff and identify changes to embed risk management. Ref 5.5.
	D	Incorrect:	Focusing on the concerns of the Bigtown Development Programme will only help embed risk management if the concerns are risk related and generic enough for staff to apply them to their current role or risk process. Ref 5.5.
4	A	Incorrect:	Gaining stakeholder's buy-in should give confidence that the company's risk management policy supports developing a risk-aware culture. Ref 5.1.
	B	Incorrect:	Promoting the Management Board's positive attitude to risk management supports the company's expected benefit of improved customer service delivery. Ref 1.4 and 5.5.
	C	Correct:	External stakeholders do not need to know the internal tools, such as software to embed risk management, used by the company. Ref A.1.1.
	D	Incorrect:	The updated risk management policy states that an expected benefit of risk management is improvements to customer service delivery. This would be a way of informing external stakeholders who are concerned about the need to improve customer service delivery. Ref 5.5.
5	A	Incorrect:	Risk exposure is the extent of risk borne by the organization at that time. It is not related to risk appetite. Ref Glossary.
	B	Correct:	Before assessing how much risk you want to take it is important to understand how much risk you can take. Ref 2.2.
	C	Incorrect:	A figure to trigger escalation is 'risk tolerance'. 'Risk tolerance' will not help identify risk appetite as it is based on knowing what the risk appetite is. Ref 2.6.
	D	Incorrect:	Programme budget is not directly related to determining a risk appetite. 'Risk

			appetite' is based on the amount of risk Fun4U wants to take, not how much it is going to spend. Ref Glossary.
6	A	Correct:	It is important to understand if the activity objectives reflect and are aligned with the organization's objectives. This is performed in the 'identify - context' step. Ref Table 4.3.
	B	Incorrect:	Risk 'causes' are not aligned to strategic objectives. Risk 'causes' are the sources of risk or risk triggers and come from the new risk improvement project's internal and external environment. Ref Glossary.
	C	Incorrect:	The scoring of risk is not aligned with objectives in the 'assess - estimate' step. Ref B.2.5.
	D	Incorrect:	The risk 'events' for all of the risk awareness project's risks will be based on the project's objectives not the strategic objectives. Ref B.3.9.

Question: 1, Syllabus: IB, Part: C, Type: MG, Syllabus Ref: PE0301, Level: 3

1	Correct [E]:	Requesting weekly performance trend reports from the leisure centre managers is an 'accept the risk' response. This response would give the leisure centres more management attention than they are currently getting. However, unless the management perform an action to improve the performance or reduce the impact on objectives, the risk remains unchanged. Ref Table B.9.
2	Correct [D]:	This is an example of a 'sharing the risk' risk response. The specialist company would be incentivized to resolve the underperformance and would be penalized if it did not. Ref Table B.9.
3	Correct [E]:	Continuing with planning the winter sports venue is an 'accept the risk' response. The management would not be taking any actions to change the probability or impact of the risk. This option means that the management is prepared to take the full impact of the risk if it were to occur. Ref Table B.9.
4	Correct [B]:	'Reduce a threat (probability)' involves definite action now to change the probability of the risk. Incentivizing management may reduce the probability that the continued underperformance would result in closure. Incentivizing management would not address the impact on Fun4Us brand or reputation. Ref Table B.9.
5	Correct [A]:	The 'avoid a threat' response makes an uncertain situation certain. Selling the underperforming leisure centres would remove the impact on Fun4Us objectives. Ref Table B.9.
6	Correct [F]:	This is an example of preparing contingent plans. Although no action is being taken now, there is an action to deal with the reputational issues following the closures. Ref Table B.9.

Question: 1, Syllabus: IB, Part: D, Type: AR, Syllabus Ref: PE0401, Level: 4

1	True:	The auditor's report is used to check for missing information. This may make the risk description inaccurate and may lead to an incorrect assessment. Discovering what information exists, what is unavailable and how this reflects on the uncertainty of the activity is performed during the 'identify - context' step. Ref Table 4.3.	True:	Carrying out any of the subsequent steps with information that is missing may lead to misunderstandings or incorrect assessments being made. Ref Table 4.6. Incorrect assessments maybe made if the risk description is unclear or based on lack of clarity or missing information in the source documentation. The reason explains the assertion. Therefore the answer is A.
2	True:	'Small cash discrepancies over a period of time' can be used to indicate that a fraud situation may be occurring. EWIs give a warning of a potential failure of a KPI. Ref 2.6.	True:	Adverse trends in EWIs for Key Performance Indicators are used to forewarn of a drop in company performance. Ref Table 4.6. Adverse trends do not explain how this information can be used to estimate probability of a risk occurring. The reason does not explain the assertion. Therefore, the answer is B.
3	True:	The impact assessment for the risk has to be measured in terms of reputation. Loss of customers as a result of the fraud can be an indication of poor reputation. Ref 1.4.	True:	Impact scales help measure how much loss or gain the impact of a risk has on an objective. Ref A.3.1. Answer B. Using scales as defined in the reason does not explain why reputational loss can be measured in terms of customers lost. Ref A.3.1.
4	True:	It is a task of the 'assess - evaluate' step to understand if risks are linked. If so, then an assessment is made of the degree to which they are dependent or correlated. Ref Table 4.11. Risk prioritization is performed during the assess - estimate step. Ref 4.6.1.	False:	The goal of the 'assess – evaluate' step is to understand the risk exposure faced by the activity. This is done by looking at the net effect of the identified threats and opportunities on an activity when aggregated together. Ref 4.7.1. Risk prioritization is performed during the 'assess - estimate' step. Ref. 4.6.1.
5	False:	This risk is a threat, not an opportunity. Therefore an opportunity response type is not appropriate. Ref Table B.9.	True:	Risk response types for opportunities and threats are different. Opportunity response types include 'exploit' and 'enhance'. Ref Table B.9.
6	False:	The nature of this risk makes it inappropriate to choose the auditor as risk owner. Auditors should remain independent. If they were to be the risk owner then they would no longer be independent. Ref Table 4.15.	True:	The 'assurance' role has many responsibilities including assuring compliance with internal controls. Ref Table 6.8.

Question: 2, Syllabus: IC, Part: A, Type: MR, Syllabus Ref: CT0213, Level: 2

1	A	Incorrect:	Impact costs are used in the calculation of 'expected value' not action costs. Ref B.4.4.
	B	Incorrect:	The probability of each risk is used in the calculation not the average probability of the programme threats. Ref B.4.4.
	C	Correct:	The average cost of a threat is used in the calculation. Ref B.4.4.
	D	Incorrect:	The decrease in cost impact is not used in the calculation. The decrease in 'expected values' would be a useful measure of action effectiveness. Ref B.4.4.
	E	Correct:	This is the probability and is used with the average impact cost to calculate the 'expected value' of a threat. Ref B.4.4.
2	A	Correct:	This is one of the factors that should be considered. Ref B.5.2.
	B	Incorrect:	The choice of response option has no influence on the pre-mitigation 'summary expected value'. Ref B.5.2.
	C	Correct:	This is one of the factors that should be considered. Ref B.5.2.
	D	Incorrect:	The effect of mitigation actions is not used in calculating the pre-response 'summary expected value'. Ref B.5.2.
	E	Incorrect:	This is irrelevant to the calculation of the 'summary expected value'. Ref B.5.2.

Question: 2, Syllabus: IC, Part: B, Type: CL, Syllabus Ref: PE0302, Level: 3

1	A	Incorrect:	The values in the grid for risks 1, 2 and 4 are above 16 so three risks should have been escalated. Ref B.5.1.
	B	Incorrect:	The values in the grid for risks 1, 2 and 4 are above 16 so three risks should have been escalated. Ref B.5.1.
	C	Correct:	The values in the grid for risks 1, 2 and 4 are above 16 so three risks should have been escalated. Ref B.5.1.
	D	Incorrect:	The values in the grid for risks 1, 2 and 4 are above 16 so three risks should have been escalated. Ref B.5.1.
2	A	Incorrect:	The values in the grid for risks 4 and 5 (forecast), and 6 (actual) are above 16 so three risks should be escalated. Ref B.5.1.
	B	Incorrect:	The values in the grid for risks 4 and 5 (forecast), and 6 (actual) are above 16 so three risks should have been escalated. Ref B.5.1.
	C	Correct:	The values in the grid for risks 4 and 5 (forecast), and 6 (actual) are above 16 so three risks should have been escalated. Ref B.5.1.
	D	Incorrect:	The values in the grid for risks 4 and 5 (forecast), and 6 (actual) are above 16 so three risks should have been escalated. Ref B.5.1.
3	A	Incorrect:	Re-assessing the risks is a valid action to confirm the residual exposure. However the risk specialist has already confirmed the risk assessments. The priority should be to control the actions that are in progress of the risks most influencing the risk exposure. Ref 4.9.4.
	B	Incorrect:	Asking the Management Board to review the tolerance for the programme could be considered if all the actions were complete and the risk exposure was still above the risk tolerance. Ref 4.9.4.
	C	Correct:	Considering the probability and impact assessments should be the first action the Bigtown Development Programme Board should take. This is because there could still be scope to bring the programme risk exposure under control. An example of this is risk 4 where the residual impact is reported as unchanged. Ref 4.9.4 and 6.3.5.
	D	Incorrect:	Lessons can be learned from the completed risk response actions. However, it would not help the current situation where the forecast risk exposure will be above the risk tolerance for the programme. Ref 4.9.4.
4	A	Incorrect:	The risk has been identified on the project but the impact on the programme is unknown. Escalating to the Management Board would be an alert of potential resource shortfalls. However, until the potential impact on the programme is known, the Management Board would be unable to act due to lack of information. Ref 6.3.5.
	B	Incorrect:	The impact of the risk would not affect the objectives of the programme causing the risk. Therefore they would be inappropriate as risk owners. Ref
	C	Incorrect:	Asking the project to reassess the risk to make it fit within tolerance is not an appropriate action. The project would have already performed an assessment and attempted risk responses before escalation. Ref 6.3.5.
	D	Correct:	The Bigtown Development Programme Board needs to be informed by the outcome of the 'assess' and 'plan' steps. The Programme Board is unlikely to take any further action until these steps have been conducted. Ref 6.3.5.
5	A	Correct:	The residual probability score of the risk has increased. Threat responses should reduce the probability or keep it the same, not make it worse. Ref Table B.9.
	B	Incorrect:	The residual probability score of the risk has increased. Threat responses should reduce the probability, not make it worse. Ref Table B.9.

	C	Incorrect:	The residual impact score of the risk has remained the same. Threat responses should reduce the impact not keep it the same. Ref Table B.9.
	D	Incorrect:	The residual probability score of the risk has increased and the impact score has remained the same. Threat responses should reduce the probability and/or impact, not keep them the same or make them worse. Ref Table B.9.
6	A	Incorrect:	Understanding the reasons why no further action is possible is important. However, promptly reporting to the Management Board the potential consequences to the company's financial objectives is a better action. Ref 6.3.5.
	B	Correct:	Promptly reporting to the Management Board the potential consequences to the company's financial objectives is the action the Programme Board should take. Ref 6.3.5.
	C	Incorrect:	Monitoring the status of the risk would be denying the Management Board of accurate information in order to make informed decisions. Promptly reporting impact on the company's financial objectives to the Management Board is the action the Programme Board should take. Ref 6.3.5.
	D	Incorrect:	Requesting the programme manger to re-estimate the risk as described would be denying the Management Board of accurate information in order to make informed decisions. Promptly reporting impact on the company's financial objectives to the Management Board is the action the Programme Board should take. Ref 6.3.5.

Question: 2, Syllabus: IC, Part: C, Type: MG, SyllabusRef: PE0302, Level: 3

1	Correct [A]:	In this instance the project manager is responsible for undertaking the activity. Ref B.2.1.
2	Correct [A]:	In this scenario, the Bigtown Development Programme Manager is responsible for validating the data. Ref B.2.1.
3	Correct [A]:	This is describing undertaking an activity. Ref B.2.1.
4	Correct [B]:	The Head of Development is accountable for the overall success of the reporting activity. Ref B.2.1.
5	Correct [D]:	The Head of Operations will be informed by receiving a copy of the risk progress report. Ref B.2.1.
6	Correct [C]:	In this instance, the CEO is being consulted. Ref B.2.1.

Question: 2, Syllabus: IC, Part: D, Type: AR, Syllabus Ref: PE0402, Level: 2

1	False:	The response should be recorded as an enhance an opportunity response because it would improve the probability of attracting investors Ref Table B.9.	True:	'Exploiting an opportunity' involves an action or actions to implement the cause of an opportunity. This has the effect of making the probability 100%. Ref Table B.9.
2	False:	Introducing penalties in the contract would be an action to reduce the probability of Project 2 being late. However, it would not ensure the project is completed on time. It would not remove the cause of the uncertainty. Ref Table B.9.	False:	A penalty clause in a contract is an example of an action to reduce the likelihood of the threat occurring. It does not remove the cause of the uncertainty. Ref Table B.9.
3	False:	Transferring the risk to the builder may improve safety but it will not stop Fun4U being sued as Fun4U is ultimately accountable. Ref Table B.9.	False:	To be a risk owner, the transferee would have to be responsible for the management and control of all aspects of the risk. This is not possible where aspects of the risk cannot be transferred, such as brand and reputation. Ref Glossary / A.4.1.
4	False:	Franchisees are investing to share the benefits of increased marketing. However, if the marketing does not work, there is no mechanism to share the loss. This is a reduce a threat not a share the risk response because the investment is designed to reduce the probability of low take-up. Ref Table B.9.	True:	The pain/gain share basis of this response encourages collaboration on risk management activities. Ref Table B.9.
5	True:	The action to secure an alternative source of funding may fail and this would be an example of a secondary risk. Ref Table B.9.	True:	The 'plan' step identifies 'secondary risks' from a planned response action. Ref Table B.9. Both the assertion and the reason are true but the failure to secure funding is not linked to the 'plan' step. The reason does not explain the assertion. Therefore the answer is B.
6	False:	Increasing the programme funding is a reduce a threat response because it is making funding available for the additional work. A fallback plan would identify a source of funding and then wait until the risk happens before increasing the programme budget. Ref Table B.9.	True:	'Fallback' plans support the 'accept the risk' response. Ref Table B.9.

Question: 3, Syllabus: ID, Part: A, Type: MR, SyllabusRef: AP0208, Level: 2

1	A	Incorrect:	Escalation arrangements should appear in the 'risk management policy'. Ref A.1.1.
	B	Incorrect:	Departures from the process steps should appear in the 'risk management strategy'. Ref A.3.1.
	C	Incorrect:	Scales for estimating impact and probability should appear in the 'risk management strategy'. Ref A.3.1.
	D	Correct:	Responsibility for updating the process guide should be in the 'risk management process guide'. Ref A.2.1.
	E	Correct:	The location of templates should be described in the 'risk management process guide'. Ref A.2.1.
2	A	Incorrect:	The individuals targeted for risk improvement should be named in a 'risk improvement plan'. Ref A.6.1.
	B	Incorrect:	The trigger dates for actions are recorded in a 'risk register'. Ref A.4.1.
	C	Incorrect:	The trend of risk exposure is contained in the 'risk progress report'. Ref A.9.1.
	D	Correct:	The risk appetite, as reflected in the tolerance thresholds, for an activity is in the 'risk management strategy'. Ref A.2.1.
	E	Correct:	The basis for how risks will be rated is the probability impact grid and this should be in the activity's 'risk management strategy'. Ref A.2.1.

Question: 3, Syllabus: ID, Part: B, Type: CL, Syllabus Ref: PE0305, Level: 3

1	A	Correct:	Confirming that no other factors have changed enables the project manager to understand the significance of the threat to this project. The first action for the project manager to take would be to conduct the 'identify - context' step using the PESTLE technique. Ref 4.4.4.
	B	Incorrect:	While it is important to understand why the local planning authority is reluctant to grant planning permission, the priority is confirming no other factors have changed. Ref 4.4.4.
	C	Incorrect:	The scope may have to change but this would follow on from the action to confirm that no other factors have changed. Ref 4.4.4.
	D	Incorrect:	An early warning indicator for planning permission delays would be appropriate. However, the priority is to confirm that no other factors have changed. Ref 4.4.4.
2	A	Incorrect:	To be effective, engaging this important stakeholder requires interaction. Just advising is one-way communication. Ref 4.4.4.
	B	Incorrect:	Asking the local planning authority for lessons learned by other similar projects may engage the stakeholder in a two-way dialogue. However, it is a low-level engagement. Ref 4.4.4.
	C	Incorrect:	Asking the local planning authority for the latest guidance on road marking standards engages the stakeholder in a two-way dialogue. However, it is a low level of engagement. Ref 4.4.4.
	D	Correct:	Proactively engaging the local authority is the best action to take because it engages the stakeholder in a more interactive way. Ref 4.4.4.
3	A	Correct:	The risk escalation process documented in the risk management strategy should be used when a risk is estimated to exceed tolerance. Ref App A.3.
	B	Incorrect:	Ensuring that the effect of the risk on the project's objectives is understood is a task of the 'identify – risks' step. Ref 4.5.1.
	C	Incorrect:	The project risk management strategy would be used in conjunction with the programme risk management strategy to understand the effect on programme performance. However, the 'assess – estimate' step being undertaken identifies the impact on the project's objectives. Ref 6.4.4.
	D	Incorrect:	The Bigtown Development Programme is a project stakeholder since it is a recipient of the project deliverables. The expectations of the programme should have been recorded in the 'identify – context' step. Ref. 4.4.4.
4	A	Correct:	Managing this suggestion as a reduce a threat response should improve the chances of gaining planning approval. Ref Table B.9.
	B	Incorrect:	External organizations can be risk actionees. It is for the risk owner to decide who is best placed to carry out risk actions. Ref Table B.9.
	C	Incorrect:	The suggestion is not a secondary risk because it is not linked to a response action. Ref Table 4.15.
	D	Incorrect:	The question asks about which action to manage the supplier's suggestion. So while this would be a valid action for a new risk, this step has already been performed because there is a risk description. It is not a direct action to manage the contractor's suggestion. Ref Table B.9.
5	A	Correct:	The proximity of a risk does not have a tolerance associated with it. Ref Glossary.
	B	Incorrect:	Checking for relationships between risks enables a correct calculation of total project risk exposure to be made. Ref 4.7.1.
	C	Incorrect:	Correlation between risks is used in the calculation of total project risk exposure. Ref 4.7.1.
	D	Incorrect:	All risks are used in the calculation of risk exposure, including secondary risks.

			Ref 4.7.1.
6	A	Incorrect:	This is an appropriate action in the 'identify – context' step. It is used to aid risk identification and assessments made during the 'assess – estimate' process step. Ref 4.4.5.
	B	Incorrect:	Reviewing project risk registers where new business processes have been implemented is an appropriate action in the 'identify – context' step. It should help with compiling the risk management strategy for the implementation. Ref 4.4.5.
	C	Correct:	Review availability of resources for carrying out risk actions would be performed in the 'plan' step when the actions are being formulated. Ref 4.8.4.
	D	Incorrect:	Reviewing the timing of risk activities during the implementation is an action of the 'identify – context' step. One task would be to clarify the risk management approach. The output would be the risk management strategy for the implementation. Ref 4.4.4.

Question: 3, Syllabus: ID, Part: C, Type: MG, Syllabus Ref: PE0303, Level: 3

1	Correct [E]:	This section in the risk management strategy defines the scales for estimating probability. Ref A.3.1.
2	Correct [H]:	The term 'risk exposure' should be defined in the Glossary section. Ref A.3.1.
3	Correct [A]:	The guide recommends that responses to risks are identified as well as risk ownership in the 'plan' step. Ref A.3.1 and 4.8.
4	Correct [D]:	An organization chart for the project, including the reporting lines for suppliers, would be described in the Roles and responsibilities section. Ref A.3.1.
5	Correct [F]:	The section Risk categories should define the groupings for recording risks, in for example in the risk register. Ref A.3.1.
6	Correct [B]:	The Records section should define which recording documents, for example a risk register and an issue register, are to be used. Ref A.5.1.

Question: 3, Syllabus: ID, Part: D, Type: AR, Syllabus Ref: PE0403, Level: 4

1	True:	The Project Manager should provide risk progress reports so that the Project Board is aware of progress. This allows them to make appropriate decisions about the risks should the actions be unsuccessful. Ref Table 6.1.	True:	A responsibility of the 'senior team' role is to monitor the summary risk profile. Ref 6.8, Table 6.1. The 'senior team' needs to monitor these actions to ensure the 'risk appetite' is not exceeded or actions are taking place to bring within the risk appetite. The reason explains the assertion. Therefore the answer is A.
2	False:	The Project Manager confirms risk impact assessments not the Project Sponsor. Ref 6.8, Table 6.1.	False:	The 'senior manager' role should validate risk assessments. Ref 6.8, Table 6.1.
3	False:	The project team should participate (as appropriate) in the identification, assessment, planning and management of threats and opportunities. Ref 6.8, Table 6.1.	False:	The project office ('assurance' role) supports the project manager ('manager' role) by providing assurance of the implementation of the 'risk management strategy'. Ref 6.4.7.
4	False:	Risks should only be escalated if they fall outside of the agreed tolerance or appetite. Ref A.1.1.	True:	The escalation and delegation procedures are developed and defined in the 'risk management policy'. If a risk or activity exceeds the agreed threshold, the results should be escalated to a 'senior manager' in accordance with the pre-agreed procedure. Ref A.1.1.
5	True:	The Project Sponsor is responsible for ensuring appropriate governance and controls are in place. This action will also ensure that the money spent on the risk is appropriate. Ref Table 6.8.	True:	The 'informs decision-making' principle ensures decision-making informs the Project Sponsor of the risk exposure of alternative options under consideration and the size of the contingency that needs to be set aside for risks. Ref. 6.4.5.4. The 'senior team' approves funding for risk management. Ref 6.8, Table 6.1. The application of the 'informs decision-making' principle provides the information for the Project Sponsor, the application does not define the role of the project sponsor. Answer B
6	False:	The Project Manager should identify the need for investment to fund risks. Ref 6.8, Table 6.1.	True:	The 'senior team' approves funding for risk management. Ref 6.8, Table 6.1.

Question: 4, Syllabus: IE, Part: A, Type: MR, Syllabus Ref: PI0206, Level: 2

1	A	Correct:	Risk appetite supports the 'aligns with objectives' principle. Ref 2.2.
	B	Incorrect:	Going beyond a compliance-based approach supports the 'creates a supportive culture' principle. Ref 2.8.
	C	Incorrect:	Understanding stakeholders supports the 'engages the stakeholders' principle. Ref 2.4.
	D	Correct:	Ensuring risks remain up-to-date as changes take place in the organization's environment supports the 'aligns with objectives'. Ref 2.2.
	E	Incorrect:	Establishing 'Early Warning Indicators' (EWIs) supports the 'informs decision-making' principle. An EWI is a leading indicator for an organizational objective measured by a 'Key Performance Indicator'. Ref 2.6.
2	A	Incorrect:	Ensuring decisions are taken at the right level supports the 'informs decision-making' principle. Ref 2.6.
	B	Incorrect:	Establishing risk tolerance supports the 'informs decision-making' principle. Ref 2.6.
	C	Correct:	A maturity model can be used to benchmark current risk management processes and provide gap analysis for future improvements. This supports the 'facilitates continual improvement' principle. Ref 2.7 and D.11.2.
	D	Correct:	Avoiding repeating a mistake supports the 'facilitates continual improvement' principle Ref 2.7.
	E	Incorrect:	Recognizing and rewarding staff supports the 'creates a supportive culture' principle Ref 2.8.

Question: 4, Syllabus: IE, Part: B, Type: CL, Syllabus Ref: PE0304, Level: 3

1	A	Correct:	The 'aligns with objectives' principle would address this issue by updating targets as more families are attracted. Ref C.3.1.
	B	Incorrect:	The 'engages stakeholders' principle would help with identifying risks affecting customers but not the need to update targets. Ref C.3.3.
	C	Incorrect:	The 'facilitates continual improvement' principle would help with improvements to reduce the number of incidents but not the need to update targets. Ref C.3.6.
	D	Incorrect:	The 'creates a supportive culture' principle would help with training on risk management but not the need to update targets. Ref C.3.7.
2	A	Incorrect:	The 'aligns with objectives' principle would help with setting objectives for health and safety checks. However, it would not help with identifying changes to the external environment. Ref C.3.1.
	B	Correct:	The 'fits the context' principle would help address this issue by analysing the external environment for such changes and using them to ensure objectives remain current. Ref C.3.2.
	C	Incorrect:	The 'informs decision-making' principle would help with identifying which risks should be escalated and other risk decisions. However, it would not help with identifying changes to the external environment. Ref 2.5.
	D	Incorrect:	The 'facilitates continual improvement' principle would help improving risk management It would not help with identifying changes to the external environment and ensuring objectives remain current. Ref 2.7.
3	A	Incorrect:	The 'fits the context' principle would help with analysis of the external environment but not with the practice of discussing risks openly. Ref C.3.2.
	B	Incorrect:	The 'engages stakeholders' principle would help with identifying risks affecting customers but not with the practice of discussing risks openly. Ref C.3.3.
	C	Incorrect:	The 'informs decision-making' principle would help with reporting risks to senior management but not with the practice of discussing risks openly. Ref C.3.5.
	D	Correct:	The 'creates a supportive culture' principle would help with the practice of discussing risks openly. Ref C.3.7.
4	A	Incorrect:	The 'aligns with objectives' principle would help with setting an objective related to the identification of concerns, but not with ensuring that a procedure exists to deal with concerns. Ref C.3.1.
	B	Incorrect:	The 'fits the context' principle would help with identifying changes and the pace of change in the external environment of the company. It would not help to create a procedure to deal with concerns with risk management practices. Ref
	C	Incorrect:	The 'engages stakeholders' principle would help with identifying the stakeholders. It would not ensure that a procedure exists to deal with concerns with risk management practices. Ref C.3.3.
	D	Correct:	The 'creates a supportive culture' principle would help with ensuring that a procedure is created to deal with concerns over risk management practices. Ref C.3.7.
5	A	Incorrect:	The 'fits the context' principle would help with analysing the external environment for changes but not with identifying the views of suppliers. Ref C.3.2.
	B	Correct:	The 'engages stakeholders' principle would help with ensuring suppliers are included in the risk process and identify risks to the leisure centre. Ref C.3.3.
	C	Incorrect:	The 'facilitates continual improvement' principle would help with ensuring that improvements to risk practices are planned but not with identifying the views of suppliers. Ref C.3.6.
	D	Incorrect:	The 'creates a supportive culture' principle would help with training on risk management but not with following up with suppliers. Ref C.3.7.

6	A	Incorrect:	The 'aligns with objectives' principle would help with setting objectives. It would not ensure that staff are trained to use the techniques for assessing risks. Ref C.3.1.
	B	Incorrect:	The 'provides clear guidance' principle would help with ensuring that the approach documents are in place. It would not ensure that staff are trained to use the techniques for assessing risks. Ref C.3.4.
	C	Incorrect:	The 'informs decision-making' principle would help with ensuring that a centre of excellence exists. It would not ensure that staff are trained to use the techniques for assessing risks. Ref C.3.5.
	D	Correct:	The 'creates a supportive culture' principle would help with training on risk techniques to enable staff to assess risks. Ref C.3.7.

Question: 4, Syllabus: IE, Part: C, Type: MG, Syllabus Ref: PE0304, Level: 3

1	Correct [F]:	'Active' describes the status of the issue, so this should be recorded under the Issue status heading. Ref A.5.1.
2	Correct [C]:	This statement summarizes the issue, therefore it should be recorded under the Issue description heading. Ref A.5.1.
3	Correct [C]:	This statement describes the effect this issue is having, but is not defining its severity. Therefore, this should be recorded under the Issue description heading. Ref A.5.1.
4	Correct [A]:	A manager of one of the underperforming centres is an action owner. However, this is not a heading in an issue register. Ref A.5.1.
5	Correct [E]:	A cause and effect diagram is an action to help with diagnosis of the problem and it should be recorded under the Action required heading. Ref A.5.1.
6	Correct [B]:	The management accountant raised the issue so it should be recorded under the Raised by heading. Ref A.5.1.

Question: 4, Syllabus: IE, Part: D, Type: AR, Syllabus Ref: PE0404, Level: 4

1	True:	Issues are an input to the 'identify – risk' step. Ref 4.5.2.	True:	Issues that have been raised may be the causes of new risks. Ref 3.6. Issues are actual situations or events and may be the cause of new risks. Issues are an input to the 'identify – risks' step. Therefore the answer is A.
2	True:	New Risk 1 is not a risk. The supplier has gone on strike and there is no food supplied to the outlets. This should be entered into the issue register.	False:	External activities should also be included in the activity analysis in the 'identify – context' step. Ref 4.5.3.
3	False:	The entry for risk event describes an issue. Ref 3.6, B.3.9.	True:	A 'risk event' describes what may happen in the future. Ref B.3.9.
4	False:	The entries for cause and event are for a threat. The entry for risk effect describes the impact on objectives of an opportunity. Ref B.3.9.	True:	A correctly defined risk description correctly links the 'cause', 'event' and 'effect' as appropriate for threats and opportunities. Ref B.3.9.
5	True:	The effect on shareholder's expectations is appropriate for a strategic risk. Ref 6.2.1.	True:	Operational objectives include consideration of revenue. Ref 6.5.1. Financial objectives at the strategic perspective relate to tangible measures that satisfy shareholders expectations. For example dividends. Objectives at the operational perspective relate to revenue. Revenue is not a tangible measure for a shareholder. Therefore the answer is B
6	True:	If the introduction of special offers is a frequent feature of Fun4U, then it would be a recurring risk. Ref 4.4.3.	True:	Checklists record risks that occurred or were identified on previous similar activities. They are used to ensure risks are not overlooked for the current activity. Ref B.3.1. The checklist is not linked to the fact that the risk that may occur more than once. Therefore the answer is B