Knowledge Check – 1

# Business Scenario – 1(Lesson-2)

Your organization is new to Risk management. You have been hired as someone who is expected to setup risk management process in the organization. You have done similar exercises in previous engagements.

1. On what basis you will determine the risk attitude of the organization
   1. Organizational process assets
   2. Enterprise Environmental factors
   3. Historical project information
   4. None of the Above

Answer: A

Enterprise Environmental factors will help you to understand the risk attitude of the organization

1. As a risk coach, what would be your recommendation for the first process in risk management
   1. Identify risks
   2. Plan risk management
   3. Control risks
   4. Assess the risk

Ans: B

Explanation: The first process in the risk management is “Plan Risk Management” as per PMBOK.

1. The first major output of risk management is:

A. Risk register

B. Risk management plan

C. Risk probability and impact matrix

D. Project management plan

Ans: B

Explanation: The first major output occurs within the Risk Management Planning process (also the first risk management process): the risk management plan. The risk management plan is essential to carrying out the other risk management process, including the creation of the risk register, which occurs within the second process.

1. As a coach, what would be your message to project team when it comes to responsibility of identification of risks
2. Risk identification is the responsibility of PM
3. Risk identification is risk manager’s responsibility
4. Everyone in the team is responsible for risk identification
5. Only project sponsor can identify the risks

Ans: C

Explanation: Risk identification is responsibility of everyone in the team.

1. There is feeling in the team that risks are still high during the implementation and closeout phase of the project. If this is true, what would be your message to team
   1. Normally, risks are more in the beginning of the project and they are controlled due to planned action. If number of risks are more during the implementation and closeout phase, it means risk management activity has not be done well.
   2. Normally, risks are low in the beginning of the project. If number of risks are more during the implementation and closeout phase, it means risk management activity has been done well.
   3. Normally, risks are more in the beginning of the project and during the implementation and closeout phase. If risks are more during the implementation and closeout phase, it means, risk management activities are done normally and there is nothing to worry.
   4. Risk management is not needed in these kinds of projects.

Ans: A

Explanation: Risk should reduce as we come closer to project completion. If, risks are still very high, it means risk management activities are not effective.

# Business Scenario – 2 (Lesson-3)

You are a risk manager for a large construction project. You are PMP certified and you have all the support from key stakeholders on how the Risk Management Activities would be performed on this project. Ali, with the help of key stakeholders has created the Risk Management plan which describes the approach for all the risk related activities. Team has spent considerable amount of time in identification of risk.

1. What would be the key output of “Identify Risk” process?
   1. Risk Management Plan
   2. Risk register
   3. Risk logs
   4. Issue logs

Ans: B

Explanation: Risk register is key output of identify risk process.

1. At the end ofrisk identification process, what would be key component of Risk register?
   1. List of identified risks, Root causes of risks, Risk responses
   2. List of identified risks, Root causes of risks, Probability and Impact of Risks
   3. List of identified risks, Root causes of risks, Potential Risk responses
   4. Root causes of risks, Potential Risk responses, Probability and Impact of Risk

Answer: C

Explanation: Probability and Impact assessment is done in Qualitative Risk Assessment. At the end of identify risk process, you will have “Potential responses”, not the finalized response.

1. Which of the following diagrams you would use to identify the potential causes of risk?

A. Fishbone diagram

B. Influence diagram

C. Scatter diagram

D. Histogram

Ans: A

Explanation: Potential causes of risk can be shown using a cause and effect diagram. This type of diagram is also known as an Ishikawa diagram, after its founder, and a fishbone diagram, named for how it looks.

1. Which are the key tools of Identify risk process?
2. Sensitivity analysis
3. Decision tree
4. Assumption analysis
5. Risk urgency assessment

Ans: C

Explanation: All others except for “Assumption analysis” are tools of risk analysis process (Qualitative risk analysis – Risk urgency assessment and Quantitative risk analysis – Sensitivity analysis, Decision tree)

1. During the brainstorming exercise to identify risk, you felt that some of the experts were not speaking. You felt that there was group bias and it is very critical to get views from these experts. What technique you would use?
   1. Delphi technique
   2. Sensitivity analysis
   3. Assumption analysis
   4. Checklist analysis

Ans: A

Explanation: Delphi technique is famous technique to get feedback from experts anonymously.

# Business Scenario – 3 (Lesson-4)

You are the project manager of a project responsible for the development of a new housing community. Currently, you are in the process of performing Qualitative risk analysis. As a project manager, you have ensured that you have all the information to facilitate the risk analysis. During the quantitative risk analysis, you found that some of the key risks might be happening very soon and immediate action is needed.

1. Given the scenario above, what would you do first?
   1. Perform risk categorization
   2. Perform risk urgency assessment
   3. Conduct a documentation review
   4. Conduct checklist analysis

Ans: B

Explanation: Since some of the key risks are time sensitive,

1. Probability and impact assessment is one of the key activity in Qualitative risk analysis. Which of the following is must have to do the probability and impact assessment?
   1. The Watchlist
   2. a risk manager present
   3. the risk probability and impact matrix
   4. definitions of risk probability and impact

Ans: D

Explanation: Option A is incorrect, since the creation of a Watchlist results from performing risk probability and impact assessment; option B is not accurate, since it is not required that the facilitator of risk assessment meetings be a risk manager (although they should have experienced in risk assessment); the risk probability and impact matrix is not used in risk assessment, making option C incorrect. This leaves option D, definitions of risk probability and impact. Without the definitions properly documented, risk assessment is not accurate or effective. Definitions of risk probability and impact are normally documented during the creation of the risk management plan.

1. Which of the following tool you would not be using during the Qualitative risk analysis
2. Assumption analysis
3. Risk data quality assessment
4. Risk urgency assessment
5. Risk categorization

Ans: A

Explanation: Explanation: Assumptions analysis is a part of the Risk Identification process. Be sure study which tools and techniques belong to which process.

1. During the risk identification process, lot of risks have been identified. Post qualitative risk analysis, you found that there were very few which were categorized as high priority risk. As a matter of fact, most of the risks had low probability and very low impacts. What would you with low priority risks?
   1. Ignore them
   2. Keep them on a watch list
   3. Create risk response
   4. Perform quantitative risk analysis for all the risks

Ans: B

Explanation: Low priority risks are kept in a watch list, which is maintained within risk register.

1. As a project manager, which of this process you would recommend being optional?
   1. Quantitative risk analysis
   2. Planning risk responses
   3. Implementing risk responses
   4. Control risks

Ans: A

Explanation: Quantitative risk analysis should be done only when project is of high budget and there are risks which could impact the project financials greatly.

# Business Scenario – 4 (Lesson-5)

You are the Risk manager of a project which has budget of USD 5 Million dollar. There are various variables which could impact the project schedule and cost. Based on estimations, Project manager has been asked to share what is the confidence level to meet the cost and the schedule objectives.

1. Which technique PMs should advocate on this project to identify the most critical factor which can influence the project objectives?
   1. Monte Carlo Simulation
   2. Decision Tree
   3. Expert Judgment
   4. Sensitivity Analysis

Ans: D

Explanation: Sensitivity analysis is a tool to find the impact of one variable on project objectives, keeping other variables at baseline.

1. Which is the best tool to determine the confidence level of meeting the cost and schedule objectives
   1. Decision tree
   2. PERT Analysis
   3. Monte Carlo Analysis
   4. CPM

Ans: C

Explanation: Monte Carlo analysis is the simulation technique to find the probability of meeting the cost and schedule objectives

1. Which of these tools doesn’t use probability?
   1. Sensitivity analysis
   2. Decision Tree
   3. Monte Carlo Analysis
   4. Latin hypercube sampling

Ans: A

Explanation: Sensitive analysis doesn’t use probability.

1. When would you advocate the use of Decision tree?
   1. When decision has to be made between multiple choices
   2. When Monte Carlo analysis fails to give the right answer
   3. Every time
   4. Decision tree is useful only when one has to choose between two options only.

Ans: A

Explanation: Decision tree analysis is used to choose between multiple uncertain path

1. You are not certain about the quality of data to be used for quantitative risk analysis. What would be your best option to validate quality of risk data?
   1. Monte Carlo analysis
   2. Expert Judgment
   3. Sensitivity analysis
   4. EMV

Ans: B

Explanation: Explanation: Validating the data and techniques can be done through expert judgment. This includes information and feedback from subject matter experts that are internal or external to the organization.

# Business Scenario – 5 (Lesson-6)

As a project manager, you are happy about the fact that many risks have been identified, assessed and prioritized. You are also relieved to know that team has looked into both negative risks (Threats) and Positive risks (Opportunity) as well. Now, you have to make sure that right responses have been planned for these threats and opportunities.

1. One of the risks talks about high cost impact with high probability if we go ahead with use of cutting-edge technology. This is due to lack of expertise in this cutting-edge technology. What would be best response?
   1. Accept
   2. Transfer
   3. Mitigate
   4. Avoid

Ans: D

Explanation: Avoid is the best strategy here because if this risk occurs, there will be high impact on project cost.

1. While going through the risk register, you found the one of the positive risk (Opportunity) talks about deploying additional team members to finish the project ahead of time. What is this strategy
   1. Mitigate
   2. Exploit
   3. Enhance
   4. Transfer

Ans: B

This is positive risk (Opportunity) and you must do everything to ensure that this opportunity materializes.

1. Which is the risk strategies could be used for both positive and negative risks
   1. Avoid and Accept
   2. Share and Escalate
   3. Escalate and Accept
   4. Exploit and Enhance

Ans: C

Explanation: Strategies for Negative risks are Escalate, Avoid, Accept, Mitigate, Transfer. Strategies for Positive risks are Escalate, Exploit, Accept, Enhance and Share.

1. Altering the project schedule to deal with a negative risk is an example of which risk response strategy?
   1. Avoid
   2. Transfer
   3. Mitigate
   4. Exploit

Ans: A

Explanation: Altering a plan to eliminate a risk is the “avoid” strategy. If eliminating a risk is not possible or feasible, then we move into the mitigate strategy.

1. Which of the strategy would involve paying a premium most of the time?
   1. Mitigation
   2. Transfer
   3. Share
   4. Accept

Ans: B

Explanation: Transfer of risk involves paying a premium to transfer the impact of risk. Example: We take life/Medical insurance by paying premium. Risk has not gone anywhere. Only the impact has been moved to Life/Medical insurance company

# Business Scenario – 6 (Lesson-7-8)

Project is in the middle of execution phase. However, some of the key stakeholders are questioning the quality of risk responses since most of risk responses which have been already made have been found ineffective. You have to define the further course of action to ensure you overcome this situation.

1. Which tool you would use to validate the effectiveness of responses which have been already made?
   1. Risk reassessment
   2. Risk Audit
   3. Expert Judgment
   4. Define workarounds

Ans: B

Explanations: Risk audit is a tool to validate the effectiveness of risk management processes as well as to validate the effectiveness of responses which have been already made.

1. While some of the responses have been effective to resolve the current risks, the worry is that it has resulted in new risks. What are these risks called?
   1. Secondary risk
   2. Residual risk
   3. Tertiary risk
   4. Unknown risk

Ans: A

Explanation: A new risk due to planned response to another existing risk is known as secondary risk.

1. It was also found that some of the responses are not adequate enough and risk is not completely removed. This is known as
   1. Secondary risk
   2. Residual risks
   3. Tertiary risks
   4. Unknown risks

Ans: B

Explanation: Since the original risk is not completely addressed, the remaining risk is known as residual risks

1. As part of conducting risk monitoring and control activities, what should be done with the Watchlist?
   1. The risk should be numerically analysed
   2. The risks should be monitored for a change in status
   3. A response should be developed for each risk
   4. Nothing, unless one of the risks becomes an issue

Ans: B

Explanation: The risks which are in watchlist should be monitored for change in probability, impact or any other parameter.

1. What would recommend for secondary risks?
   1. Response should be created for secondary risk immediately
   2. Qualitative risk analysis should be done as with any new risk
   3. Put them in watch list.
   4. Directly perform quantitative risk analysis

Ans: B

Explanation: As with any new risks, we should perform assess the risk by performing the qualitative risk analysis.