

Systematic Vs. Unsystematic Risk

The purpose of this activity is for students to understand the differences between systematic and unsystematic risk. Sometimes the scenarios are ambiguous; be sure to have a justification for each answer. Answers are on the second page.

Part 1: Scenarios

Students should work in groups of 3-5 students to determine whether each of the following scenarios is an example of systematic or unsystematic risk. Mark the appropriate column and prepare to explain why to the class.

	Neither	Systematic	Unsystematic
A major hurricane near Florida wipes out all of its farms, disrupting supply chains for all food distribution companies.			
A global pandemic closes the economy.			
You purchase a new car and it increases in value			
New, strict regulations to enforce sustainable practices in factories are passed.			
A new tech company goes public and poses major competition for others in the industry.			
You receive a major medical bill and do not have enough savings.			
A research study shows that continuing to use fossil fuels will severely damage the environment, and renewable energy is better.			
A major banking company declares bankruptcy, and other major banks have loans that may default.			

Part 2: Prepare to Discuss With The Class & Present Your Findings!

Select one member of your group to present to the class. Each group will provide their answers to the questions above.