Question #1 of 12

Question ID: 1459086

Which of the following risks is *most accurately* classified as a non-financial risk?

A) Model risk.

B) Credit risk.

C) Liquidity risk.

Question #2 of 12

Question ID: 1459082

Which of the following statements about an organization's risk tolerance is *most accurate*?

A) An organization with low risk tolerance should take steps to reduce each of the risks it identifies.

B) Risk tolerance is the degree to which an organization is able to bear the various risks that may arise from outside the organization.

C) The financial strength of an organization is one of the factors it should consider when determining its risk tolerance.

Question #3 of 12

Question ID: 1459080

Features of a risk management framework *least likely* include:

A) disciplining managers who exceed their risk budgets.

B) monitoring the organization’s risk exposures.

C) establishing risk governance policies and processes.

Question #4 of 12

Question ID: 1459081

Risk governance is *best* described as:

A) senior management's oversight of the organization's risk management.

B) allocating an organization's resources by considering their risk characteristics.

C) determining an organization's risk tolerance.

Question #5 of 12

Question ID: 1459089

Value-at-Risk (VaR) and Conditional VaR are best described as measures of:

A) liquidity risk.

B) model risk.

C) tail risk.

Question #6 of 12

Question ID: 1459079

An objective of the risk management process is to:

A) eliminate the risks faced by an organization.

B) identify the risks faced by an organization.

C) minimize the risks faced by an organization.

Question #7 of 12

Question ID: 1459083

Risk management within an organization should *most appropriately* consider:

A) internal risks independently of external risks.

B) interactions among different risks.

C) financial risks independently of non-financial risks.

Question #8 of 12

Question ID: 1459085

Examples of financial risks include:

A) credit risk, market risk, and liquidity risk.

B) market risk, liquidity risk, and tax risk.

C) solvency risk, credit risk, and market risk.

Question #9 of 12

Question ID: 1459084

Operational risk is *most accurately* described as the risk that:

A) human error or faulty processes will cause losses.

B) the organization will run out of operating cash.

C) extreme events are more likely than managers have assumed.

Question #10 of 12

Question ID: 1459088

A portfolio manager uses a computer model to estimate the effect on a portfolio's value from both a 3% increase in interest rates and a 5% depreciation in the euro relative to the yen. The manager is *most accurately* described as engaging in:

A) stress testing.

B) scenario analysis.

C) risk shifting.

Question #11 of 12

Question ID: 1459090

Measures of interest rate sensitivity *least likely* include:

A) beta.

B) duration.

C) rho.

Question #12 of 12

Question ID: 1459087

Buying insurance is *best* described as a method for an organization to:

A) prevent a risk.

B) shift a risk.

C) transfer a risk.