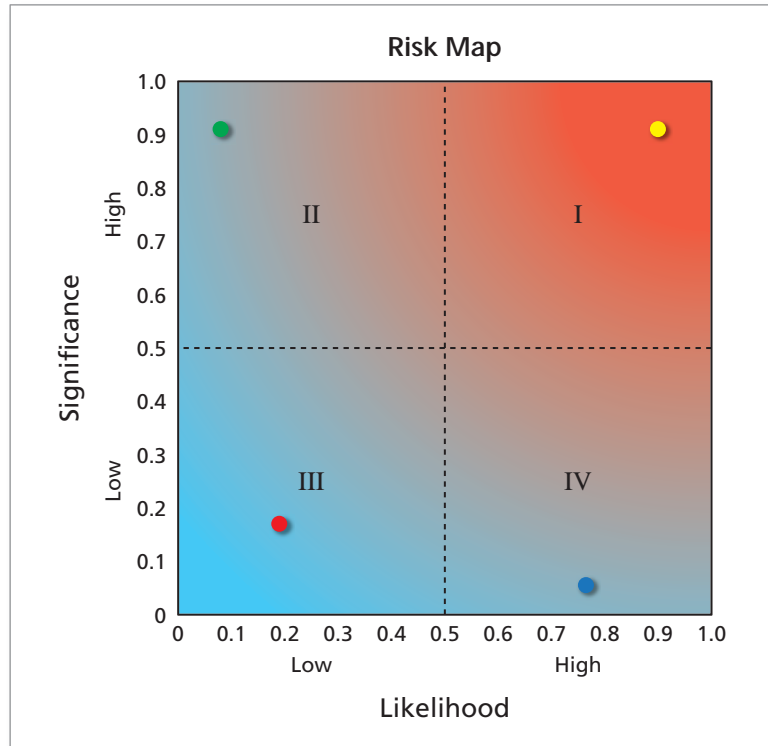




EXAMPLE 4 Comparing Significance and Risk

Give an example of each of the four possible risks.



SOLUTION

- An example of a risk that is significant but unlikely is contracting a serious illness when you are young.
- An example of a risk that is both significant and likely is contracting a serious illness if you are extremely overweight.
- An example of a risk that is insignificant but fairly likely is catching a cold during the year.
- An example of a risk that is insignificant and unlikely is being stung by a bee (unless, of course, you are allergic to bee stings).

RISK ASSESSMENT SURVEY				
	Risk	Description	Significance (Rate from 1 (lowest) to 10 (highest))	Likelihood (Rate from 1 (lowest) to 10 (highest))
1.	Environmental	The risk that the business does not comply with environmental regulations	_____	_____
2.	Safety	The risk that employees may be injured or become sick as a result of the work environment	_____	_____
3.	Operational	The risk that the business may not be able to operate due to factors such as power failure or faulty technology	_____	_____
4.	Regulatory	The risk that any changes to current regulations and policies may negatively impact the business	_____	_____
5.	Customer Satisfaction	The risk that customers are not satisfied with the service or product provided by the business	_____	_____
6.	Technology	The risk that the business does not have the proper technology to operate effectively and complete	_____	_____
7.	Legal	The risk that the business does not comply with the law	_____	_____
8.	Financial	The risk that the business's financial reporting may mislead those seeking to invest or lend to the business	_____	_____
9.	Adaptability	The risk that the business is not able to adapt to changes in the market or changes in regulation or policy	_____	_____
10.	Materials	The risk that changes to the cost of materials may negatively impact the business	_____	_____
11.	Elasticity	The risk that changes in the economy may affect the demand for the good or service provided by the business	_____	_____
12.	Long-term	The risk that the business's goals, strategies, and services are not viable in the long run	_____	_____

Business owners use a risk assessment survey to determine the significance and likelihood of business risks. A risk map is then used to plot the significance and likelihood of the business risk occurring.

✓ Checkpoint

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Give an example of each of the following types of risks. Then identify where you think the risk is located on the risk map. Explain your reasoning.

- a. Prevent-at-source risks:** Threaten the achievement of company objectives
- b. Detect-and-monitor risks:** Should be monitored on a rotational basis to ensure that they are detected before they occur
- c. Monitor risks:** Should be monitored to ensure that they are being appropriately managed and that their significance has not changed due to changing business conditions
- d. Low-control risks:** Require minimal monitoring and control unless subsequent risk assessments show a substantial change, prompting a move to another risk category