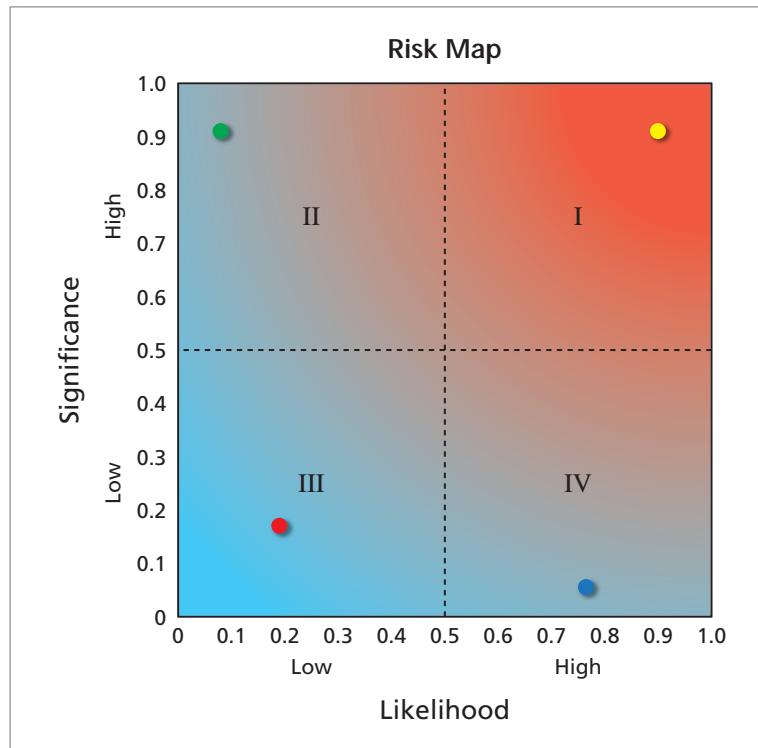




EXAMPLE 4 Comparing Significance and Risk

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).

✓ Checkpoint

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RISK ASSESSMENT SURVEY				
	Risk	Description	Significance	Likelihood
			Rate from 1 (lowest) to 10 (highest)	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 outages or equipment failure	_____	_____
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 efficiently	_____	_____
7.	Legal	The risk that the business does not comply with the law	_____	_____
8.	Financial Performance	The risk that the business's financial reporting may mislead those seeking to invest in the company	_____	_____
9.	Adaptability	The risk that the business is not able to adapt to changes in the market or changes in regulations or policy	_____	_____
10.	Materials	The risk that any 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 long-term 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.

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.

- Prevent-at-source risks:** Threaten the achievement of company objectives
- Detect-and-monitor risks:** Should be monitored on a rotational basis to ensure that they are detected before they occur
- 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
- Low-control risks:** Require minimal monitoring and control unless subsequent risk assessments show a substantial change, prompting a move to another risk category