

## PRACTICE QUESTIONS

### NCFM Pro – Enterprise Risk Management (ERM)

1. What contributed significantly to the collapse of Lehman Brothers in 2008? **[2 Marks]**
- a) Aggressive pursuit of profits through mortgage-backed securities
  - b) Sound financial management
  - c) Strict regulatory reforms
  - d) Lack of involvement in the subprime mortgage market

**Correct Answer: Aggressive pursuit of profits through mortgage-backed securities**

2. How does age influence risk tolerance? **[1 Marks]**
- a) Decreases risk tolerance
  - b) No impact on risk tolerance
  - c) Increases risk tolerance
  - d) Makes risk tolerance unpredictable

**Correct Answer: Decreases risk tolerance**

3. In the risk-return relationship, what is systematic risk also known as? **[2 Mark]**
- a) Market risk
  - b) Diversifiable risk
  - c) Unsystematic risk
  - d) Interest rate risk

**Correct Answer: Market risk**

4. What does the 'V' in VUCA stand for? **[2 Marks]**
- a) Volatile
  - b) Visible
  - c) Vibrant
  - d) Vigorous

**Correct Answer: Volatile**

5. The oil crisis serves as an example of the VUCA world **[1 Mark]**
- a) True
  - b) False

**Correct Answer: True**

6. Which ISO standard serves as a foundational document for risk management practices globally? **[1 Marks]**
- a) ISO 31000

- b) ISO 27001
- c) ISO 9001
- d) ISO 14001

**Correct Answer: ISO 31000**

7. What is the primary focus of the Committee of Sponsoring Organizations of the Tread way Commission (COSO)? **[2 Marks]**
- a) Internal controls and risk management
  - b) External risks
  - c) Regulatory compliance
  - d) Financial reporting only

**Correct Answer: Internal controls and risk management**

8. The Control Environment component in risk management focuses on the technical implementation of controls **[1 Mark]**
- a) True
  - b) False

**Correct Answer: True**

9. What type of risk is associated with talent shortages or internal fraud within an organization? **[1 Mark]**
- a) People Risk
  - b) Systems Risk
  - c) Process Risk
  - d) External Factors Risk

**Correct Answer: People Risk**

10. The CRO is primarily responsible for assessing and mitigating regulatory, technological, and operational threats to an organization's objectives **[1 Mark]**
- a) True
  - b) False

**Correct Answer: True**

11. If the 1st line of defense is weak, which line of defense becomes crucial for the organization's risk management **[1 Mark]**
- a) The second line of defense.
  - b) The operational units responsible for day-to-day activities.
  - c) The third line of defense.
  - d) The Chief Information Security Officer (CISO) and Compliance Officer.

**Correct Answer: The second line of defense.**

12. In the context of SEBI LODR and ERM, what does ERM assist companies in disclosing according to regulatory requirements? **[2 Marks]**

- a) Operational failures
- b) Financial performance
- c) Marketing strategies
- d) Employee satisfaction

**Correct Answer: Operational failures**

13. Which regulatory body in India issues guidelines on risk management for banks and financial institutions? **[1 Mark]**

- a) RBI
- b) SEBI
- c) IRDAI
- d) Companies Act

**Correct Answer: RBI**

14. Which regulatory body regulates the insurance sector in India and issues guidelines about risk management for insurance companies? **[1 Mark]**

- a) RBI
- b) SEBI
- c) IRDAI
- d) Companies Act

**Correct Answer: IRDAI**

15. In which sector is the growing recognition of the importance of risk management more visible in India? **[1 Mark]**

- a) Financial sector
- b) Manufacturing
- c) Information Technology
- d) Healthcare

**Correct Answer: Financial sector**

16. Securities and Exchange Board of India (SEBI) has no role in mandating risk management practices for entities in the securities market. **[1 Mark]**

- a) False
- b) True

**Correct Answer: False**

17. Which of these is not a primary energy source? **[1 Mark]**

- a) Electricity

- b) coal
- c) lignite
- d) Gas

**Correct Answer: Electricity**

18. AMA is a method used by banks to calculate regulatory capital requirements for operational risk. **[1 Mark]**

- a) False
- b) True

**Correct Answer: True**

19. The dimension of Risk Identification in SEBI guidelines for Mutual Funds primarily focuses on mitigating risks rather than identifying them. **[1 Mark]**

- a) TRUE
- b) FALSE

**Correct Answer: False**

20. What does the top-down risk identification approach help in developing for an organization? **[1 Mark]**

- a) Risk policies aligned with strategic goals
- b) Tactical risk management plans
- c) Operational risk appetite
- d) Micro-level risk profiles

**Correct Answer: Risk policies aligned with strategic goals**

21. Top-down risk identification involves examining risks at the operational level within an organization. **[1 Mark]**

- a) TRUE
- b) FALSE

**Correct Answer: False**

22. In the financial sector's bottom-up risk identification, who is encouraged to identify and report risks? **[1 Mark]**

- a) Personnel at various levels within the financial institution
- b) External consultants
- c) Only senior management
- d) Regulatory authorities

**Correct Answer: Personnel at various levels within the financial institution**

23. Which method is commonly associated with rear-looking tools? **[1 Mark]**

- a) Risk incident analysis

- b) Risk modeling
- c) Trend analysis
- d) Scenario planning

**Correct Answer: Risk incident analysis**

24. Rear-looking tools for risk identification primarily rely on historical data and past incidents. **[1 Mark]**

- a) True
- b) False

**Correct Answer: True**

25. Which risk identification tool involves analyzing historical events to understand the nature and causes of risks? **[1 Mark]**

- a) Risk Incident
- b) Horizon Scanning
- c) Scenario Analysis
- d) Visualization

**Correct Answer: Risk Incident**