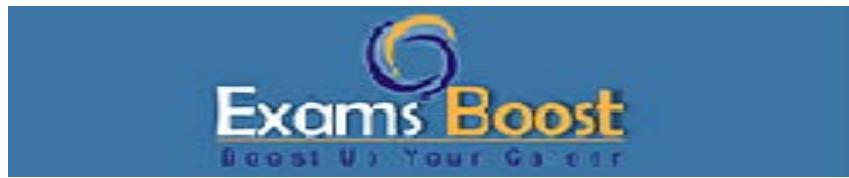


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Question: 1

From the three actions Tom Brown is undertaking, which is categorised as a pure risk?

- A. Buying 100 lottery tickets
- B. Selling his house even though he receives less than he paid for it because he thinks prices will fall further.
- C. Going horse riding without wearing a riding helmet.

Answer: C

Explanation:

According to 1, page 9, pure risk is “a situation where there are only two possible outcomes: loss or no loss”. Buying lottery tickets and selling a house are examples of speculative risk, where there is a possibility of gain or loss. Going horse riding without a helmet is an example of pure risk, where there is only a possibility of loss (injury) or no loss.

Question: 2

Hopkin states “most standard definitions of risk refer to risks being attached to corporate objectives”. What is another important factor to consider when linking risk to an organisation?

- A. Core processes.
- B. Hazard management.
- C. Risk correlation.

Answer: A

Explanation:

According to 1, page 11, core processes are “the activities that an organization performs in order to deliver its products or services”. They are essential for achieving the organization’s objectives and creating value for its stakeholders. Therefore, core processes should be considered when linking risk to an organization.

Question: 3

Enterprise Risk Management (ERM) is considered to have a significant difference compared with traditional risk management approaches because ERM

- A. ensures that an organisation's objectives will be achieved.
- B. takes an integrated or holistic approach.
- C. addresses strategic, tactical and operational risk management.

Answer: B

Explanation:

According to 2, domain 1, ERM “is a coordinated set of activities and methods that is used by organizations to manage risks across the enterprise”. It takes an integrated or holistic approach that considers all types of risks and their interrelationships across the organization’s functions and levels.

Question: 4

As part of the ISO 31000 risk management process, ‘monitoring and review’ is best thought of as which of the following?

- A. An extra stage.
- B. A feedback loop.
- C. Part of risk assessment.

Answer: B

Explanation:

According to 3, clause 6.5., monitoring and review “is intended as a feedback loop for checking whether any change has occurred either internally or externally that may affect performance against objectives”. It helps to ensure that the risk management process remains relevant and effective over time.

Question: 5

An international bank has identified the risks associated with economic changes in the countries in which it operates. Which of the following correctly describes these risks?

- A. Internal – Infrastructure.
- B. External – Reputational.
- C. External – Marketplace.

Answer: C

Explanation:

According to 1, page 15-16, external risks are “those arising from events outside the organization” and marketplace risks are “those arising from changes in market conditions such as customer demand, competition, regulation”. Economic changes in different countries can affect the market conditions for an international bank’s operations.

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