**EFFECTIVE FINANCIAL MANAGEMENT**

**Learning Outcome 3: ACTIVITY 1**

**The nature of risk and its importance in financial management**

Risk is a critical factor in financial management. A financial decision can have major implications for the success or even survival of a business.

#### Individually, and then in pairs

Identify a business with which you are familiar. This could be a multinational company from which you have purchased goods/services, a business that owns your favourite brand or the business for which you work (or wish to work in the future).

Ideally this should be the business you chose in LO1 and LO2 to re-visit throughout your classroom activities.

From your research:

1. Identify a key investment decision that has been taken by your chosen business.
2. Identify a key financing decision that has been taken by your chosen business.
3. Identify and explain the risks that might have existed in each of the decisions that you identified in (1) and (2).
4. For each of the stakeholder groups that you identified in (1), explain the aspects of financial performance and financial position in which they might be interested.
5. Prepare a short presentation on your findings.