**EFFECTIVE FINANCIAL MANAGEMENT**

**Learning Outcome 3: ACTIVITY 3**

**Difference types of risk and risk management techniques**

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

Look back to the results of your analysis in LO3 Activity 1.

#### Iin small groups

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 previously to re-visit throughout your classroom activities.

From your research:

1. Reflect on the key investment decision and key financing decision that you considered as part of LO3 Activity 1.
2. Outline each of the following risk management techniques:
   1. Sensitivity analysis
   2. Scenario analysis
   3. Expected values
   4. Simulations.
3. For the techniques that you outlined in (2), explain how each might have been used to identify and evaluate risks in the decisions that you identified in (1).
4. Prepare a short presentation on your findings.