**EFFECTIVE FINANCIAL MANAGEMENT**

**Learning Outcome 3: ACTIVITY 6**

**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.

Various methods can be used to try to deal with the forecasting risks that surround some elements of projected financial statements. These techniques, and others, can also be used to evaluate other types of risk. Other techniques can also be useful in this context.

Look back to the results of your analysis in LO3 Activity 3.

#### In 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 earlier to re-visit throughout your classroom activities.

From your research:

1. Reflect on the outline of the risk management techniques that you considered in LO3 Activity 3:
   1. Sensitivity analysis
   2. Scenario analysis
   3. Expected values
   4. Simulations.
2. For each of the techniques that you outlined in (1), identify and explain their advantages and disadvantages.
3. Prepare a short presentation on your findings.