**CORPORATE FINANCE**

**Learning Outcome 3: ACTIVITY 8**

## **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.

#### Required: in small groups

Using the business you selected for previous Activities:

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.