ASSESSMENT # 10

Total Marks: 30

Q.1. Short Questions:
(24)

i. What is meant by “risk control”?
ii. What is the relationship between risk control and risk avoidance?
iii. What is the difference between “risk avoidance” and “risk prevention”?
iv. “Risk management can make a difference directly to profit”. Discuss
v. What is the primary objective of risk management?
vi. How can the risk management process be developed?
vii. What are the main benefits of risk management?
viii. How can the risk be evaluated?

Case Study

(6)

William Telford established The Business Centre in 2000 as a consultancy business. With his experience and connections, the company grew quickly into UK’s largest independent creative company with over 60 staff.

The Business Centre rapidly expanded the portfolio of its clients from the UK to overseas. In 2006, William Telford began working with clients in the Middle East and formed a relationship with billion-dollar company Tameer (builder of the man-made islands in Dubai).

At the time,Tameer was the biggest developer in the region. William Telford had Tameer professionally risk-profiled, and the company seemed safe and reputable. But over the following months, Tameer became The Business Centre's biggest client - just before the GFC hit. Tameer started lagging in payments...

Previously, The Business Centre had never experienced bad debtors, so Telford believed business would bounce back and Tameer would eventually pay - it would just take time. Plus, The Business Centre had a large client base, so Telford tried to overcome the issue

ASSESSMENT # 10

Total Marks: 30

by leveraging income from other projects and invoice factoring to raise funds and keep business going.

In most cases, this strategy would work as an emergency measure. But due to the GFC, suddenly all of his clients stopped projects, and absolutely no income came in.

With these factors combined, The Business Centre was beyond help. The company collapsed after 10 years of operation in 2010, and William Telford lost everything he owned.

Questions to be done again

1. Where do you think William Telford made a mistake?

2. How does the risk management strategy would have helped him?