

GAQM.ISO-31000-CLA.v2023-06-28.q41

Exam Code:	ISO-31000-CLA
Exam Name:	ISO 31000 - Certified Lead Risk Manager
Certification Provider:	GAQM
Free Question Number:	41
Version:	v2023-06-28
# of views:	605
# of Questions views:	410
https://www.freepdfdumps.com/GAQM.ISO-31000-CLA.v2023-06-28.q41.html	

NEW QUESTION: 1

How does a pure risk differ from a speculative risk?

- A. A pure risk always has an environmental cause whereas a speculative risk always involves human error.
- B. A pure risk can be measured in probability terms whereas a speculative risk cannot.
- C. A pure risk is not subject to regulatory control but a speculative risk always is.
- D. A pure risk only leads to the possibility of a loss, whereas a speculative risk may lead to a gain.

Answer: D (LEAVE A REPLY)

Explanation

A pure risk only leads to the possibility of a loss, whereas a speculative risk may lead to a gain¹². For example, entering into a contract to purchase a new factory is a speculative risk, as it could result in either profit or loss depending on market conditions.

NEW QUESTION: 2

Which of the following is a process with inputs, activities, and outcomes?

- A. Risk management
- B. Quality management
- C. Financial management
- D. Relations management

Answer: (SHOW ANSWER)

Explanation

Risk management is a process with inputs, activities, and outcomes¹. The inputs are the organization's context and risk criteria. The activities are risk identification, analysis, evaluation, and treatment. The outcomes are improved decision making, performance, and resilience.

NEW QUESTION: 3

When defining the success measures for the organization's risk strategy, the risk management professional will include which of the following steps?

- A. A review of the goals and objectives of the risk strategy
- B. A selection of appropriate media for communicating the risk strategy
- C. An analysis of the organization's total cost of insurable risk
- D. The development of timelines for implementing the risk strategy

Answer: A (LEAVE A REPLY)

Explanation

A review of the goals and objectives of the risk strategy is part of defining the success measures for the organization's risk strategy¹. This helps to ensure that the risk strategy aligns with the organization's purpose, vision, mission and values.

NEW QUESTION: 4

Which two of the following are types Integrated Processes? (Choose two)

- A. People processes
- B. Soft processes
- C. Hard process
- D. Quality analysis

Answer: A,C (LEAVE A REPLY)

Explanation

People processes and hard processes are two types of integrated processes³. People processes involve human factors such as culture, values, ethics, and behavior that influence risk management. Hard processes involve technical aspects such as methods, tools, techniques, and systems that support risk management.

NEW QUESTION: 5

Using the FIRM scorecard which of the following risks could a risk manager quantify?

1. Loss of income.
2. Financial gain.
3. Reputational damage.

- A. 1 and 2.
- B. 1 and 3.
- C. 2 and 3.

Answer: A (LEAVE A REPLY)

Explanation

According to 2, FIRM scorecard is "a tool for measuring risk performance". It uses four dimensions: financial impact, internal processes, reputation and market position (FIRM). Loss of income and financial gain are examples of financial impact risks that can be quantified using monetary values or ratios. Reputational damage is an example of reputation risk that is more difficult to quantify using objective measures.

NEW QUESTION: 6

Relying on historic analysis when assessing potential risks and possible impacts implies that

- A. should adverse events occur, the impact can be accurately modelled.
- B. all significant risks can be confidently analysed.
- C. management believe that the future will behave much like the past.

Answer: (SHOW ANSWER)

Explanation

According to 1, page 19, historic analysis is "a method of risk identification based on past data". It assumes that past patterns and trends will continue in the future, which may not always be true.

NEW QUESTION: 7

Which of the following are measured extensively throughout the organization and into the supply chain?

- A. KPI's and KRI's
- B. API's and SKD's
- C. PDA's and PBA's
- D. CMP's and CAD's

Answer: A (LEAVE A REPLY)

Explanation

KPIs (Key Performance Indicators) and KRIs (Key Risk Indicators) are measured extensively throughout the organization and into the supply chain¹. These indicators help to monitor and evaluate the performance and effectiveness of risk management.

NEW QUESTION: 8

Due to the nature of crises, the management of a Crisis Management Team (CMT) usually requires which type of decision making structure?

- A. Centralized
- B. Networked
- C. Bottom-up
- D. Consensus-based

Answer: A (LEAVE A REPLY)

Explanation

According to , page 17, a crisis management team (CMT) is "a group of senior managers who have been delegated authority by an organization's executive leadership team to make decisions during a crisis". A centralized decision making structure allows for faster and more coordinated responses in an emergency situation.

NEW QUESTION: 9

Which of the is a set of systematic, deliberate, and actionable steps to manage risk?

- A. Security
- B. Control
- C. Process
- D. Vision

Answer: B (LEAVE A REPLY)

Explanation

Control is not a set of systematic, deliberate, and actionable steps to manage risk, but rather a measure or action that modifies risk¹. Process is a set of systematic, deliberate, and actionable steps to manage risk².

Process involves establishing context, identifying risks, analyzing risks, evaluating risks, and treating risks.

NEW QUESTION: 10

Uncertainties may involve: (Choose two)

- A. The process used to conduct the risk analysis
- B. The processed to know upcoming security issues
- C. Differing abilities among risk analysts
- D. Appointing security analyst

Answer: (SHOW ANSWER)

Explanation

Uncertainties may involve the process used to conduct the risk analysis and differing abilities among risk analysts. These are examples of factors that can affect the quality and reliability of risk assessment¹.

NEW QUESTION: 11

How many risk management principles exists ISO 31000:2018?

- A. 7
- B. 8
- C. 9
- D. 6

Answer: C (LEAVE A REPLY)

Explanation

There are nine risk management principles in ISO 31000:2018. These principles are:

- * Integrated
- * Structured and comprehensive
- * Customized
- * Inclusive
- * Dynamic
- * Best available information
- * Human and cultural factors

* Continual improvement

NEW QUESTION: 12

Which step is the risk process steps to manage, control, or remediate risk?

- A. Risk avoidance
- B. Risk identification
- C. Risk evaluation
- D. Risk treatment

Answer: D (LEAVE A REPLY)

Explanation

Risk treatment is the risk process step to manage, control, or remediate risk¹. Risk treatment involves selecting and implementing options to modify or control risks.

NEW QUESTION: 13

When an operational area develops a treatment for a critical risk, the risk management professional MUST

- A. add the risk to the risk map.
- B. communicate the treatment plan directly with internal audit.
- C. evaluate the dollar savings associated with the treatment.
- D. evaluate the impact upon other areas.

Answer: D (LEAVE A REPLY)

Explanation

When an operational area develops a treatment for a critical risk, the risk management professional must evaluate the impact upon other areas³. This helps to ensure that the treatment does not create new risks or adversely affect other objectives.

NEW QUESTION: 14

Uncertainty leads to a changing context

- A. True
- B. False

Answer: (SHOW ANSWER)

Explanation

Uncertainty leads to a changing context . This means that uncertainty creates variability in outcomes and expectations, which may affect the objectives and scope of risk management.

NEW QUESTION: 15

Risk management is a strategic management process.

- A. True
- B. False

Answer: A (LEAVE A REPLY)

Explanation

Risk management is a strategic management process . Risk management helps organizations to align their objectives, strategies, and actions with their external and internal environment.

NEW QUESTION: 16

Which risk is sometimes called 'retained risk.'?

- A. Residual risk
- B. Conceptualize risk
- C. Analytical risk
- D. Procedural risk

Answer: A (LEAVE A REPLY)

Explanation

According to ISO/IEC Guide73 (2009), clause B., residual risk is "the level of remaining after controls have been applied". It is sometimes called 'retained risk' because it represents the amount of risk that an organization decides to accept or retain after implementing its mitigation strategies 3.

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NEW QUESTION: 17

Which type of risk framework is expected to improve efficiency by aligning strategy, processes, technology and people?

- A. Controls, risk and supervision.
- B. Corporate, governance and control.
- C. Governance, risk and compliance.
- D. Supervision, audit and compliance

Answer: C (LEAVE A REPLY)

Explanation

A governance, risk and compliance (GRC) framework is expected to improve efficiency by aligning strategy, processes, technology and people. GRC aims to integrate these elements to achieve organisational objectives while managing risks and complying with regulations.

NEW QUESTION: 18

As part of the ISO 31000 risk management process, 'monitoring and review' is best thought of as which of the following?

- A. An extra stage.
- B. A feedback loop.
- C. Part of risk assessment.

Answer: B (LEAVE A REPLY)

Explanation

According to 3, clause 6.5., monitoring and review "is intended as a feedback loop for checking whether any change has occurred either internally or externally that may affect performance against objectives". It helps to ensure that the risk management process remains relevant and effective over time.

NEW QUESTION: 19

What could a financial organisation make primary use of, to assess whether its risk management systems are likely to fail?

- A. Key control indicators.
- B. Key risk indicators.
- C. Silo-based risk management.
- D. Physical inspections.

Answer: B (LEAVE A REPLY)

Explanation

Key risk indicators are metrics that provide information about potential changes in the level of risk exposure³.

They can help an organisation monitor and manage its risks more effectively. Key control indicators are metrics that measure the performance of internal controls⁴.

NEW QUESTION: 20

Understanding the potential causes of risk events will primarily help an organisation to

- A. comply with corporate governance standards.
- B. eliminate all risks
- C. improve internal audit procedures.
- D. reduce the frequency of loss.

Answer: D (LEAVE A REPLY)

Explanation

Understanding the potential causes of risk events will primarily help an organisation to reduce the frequency of loss. This is because identifying and analysing the sources and drivers of risks can enable an organisation to implement preventive or mitigating measures.

NEW QUESTION: 21

Which management ensures that value is created by identifying opportunities for investment, mergers, or acquisition.

- A. Risk
- B. Quality
- C. Crisis
- D. Safety

Answer: ([SHOW ANSWER](#))

Explanation

Risk management ensures that value is created by identifying opportunities for investment, mergers, or acquisition. Risk management helps to assess the potential benefits, costs, and risks of different options and make informed decisions.

NEW QUESTION: 22

ISO 31000:2018 offers a generic outline for the design of the risk management framework and process.

- A. True
- B. False

Answer: ([SHOW ANSWER](#))

Explanation

ISO 31000:2018 offers a generic outline for the design of the risk management framework and process. ISO 31000:2018 provides guidelines that can be adapted to any organization's situation and circumstances.

NEW QUESTION: 23

Causes of risk include all the following except:

- A. Health, safety and environment
- B. Finance
- C. Insurance
- D. Chemical breakdown

Answer: ([SHOW ANSWER](#))

Explanation

According to ISO/IEC Guide 73 (2009), clause B., causes are "elements which alone or in combination have potential to give rise to risk". Health, safety, environment, finance and chemical breakdown are examples of causes that can create risks for an organization or an individual. Insurance is not a cause but a method of transferring or mitigating some types of risks.

NEW QUESTION: 24

A large manufacturing organisation has renewed an insurance policy and has accepted a significant increase in the policy deductible. What is this most likely to indicate?

- A. Decreased risk avoidance.
- B. Decreased risk tolerance.
- C. Increased risk elimination.
- D. Increased risk retention.

Answer: (SHOW ANSWER)

Explanation

A large manufacturing organisation has renewed an insurance policy and has accepted a significant increase in the policy deductible. This is most likely to indicate increased risk retention, which means accepting more responsibility for potential losses. This could be done to reduce insurance premiums or increase control over claims.

NEW QUESTION: 25

Which ISO Standard is used for hazard identification and risk assessment?

- A. ISO 16776
- B. ISO 17776
- C. ISO 15776
- D. ISO 18776

Answer: B (LEAVE A REPLY)

NEW QUESTION: 26

Which type of risk management technique does insurance belongs to?

- A. Sharing
- B. Reduction
- C. Retention

Answer: A (LEAVE A REPLY)

Explanation

According to , page 16-17, insurance belongs to sharing technique which is "a way of transferring some or all financial consequences associated with a particular exposure". It involves paying a premium in exchange for compensation in case of loss.

NEW QUESTION: 27

ISO 31000:2018 risk management process is _____

- A. descriptive
- B. prescriptive
- C. visionitive
- D. cursive

Answer: A (LEAVE A REPLY)

Explanation

ISO 31000:2018 risk management process is descriptive . This means that it provides guidance on what should be done for effective risk management, but not how it should be done. The process can be customized to any organization and its context.

NEW QUESTION: 28

Organizational information systems, information flows, and formal and informal decision-making processes are all a part of establishing which type of context in regard to the organization?

- A. External
- B. Technological
- C. Local
- D. Internal

Answer: D ([LEAVE A REPLY](#))

Explanation

According to ISO31000 (2018), clause 5., establishing the context involves defining "the external and internal parameters to be taken into account when managing risk". The internal context includes "information systems, information flows and decision-making processes" among other factors.

NEW QUESTION: 29

After validating the training curricula, a risk management professional

- A. develops training.
- B. develops and schedules training.
- C. matches training to audience.
- D. schedules and conducts training.

Answer: ([SHOW ANSWER](#))

Explanation

According to , page 23, after validating the training curricula, a risk management professional schedules and conducts training sessions based on the target audience's needs and availability.

NEW QUESTION: 30

Which of the following statements about captive insurance companies are correct?

1. A captive cannot act as a reinsurer.
2. A captive can access reinsurance markets.
3. A captive can sometimes offer greater cover than is available in the insurance market.
4. A captive must be located in the same country as its parent company.

- A. 1 and 4.
- B. 1 and 2.
- C. 2 and 3.

Answer: ([SHOW ANSWER](#))

Explanation

According to 3, a captive insurance company is "a wholly owned subsidiary insurer that provides risk mitigation services for its parent company or related entities". It can act as a reinsurer by accepting risks from other insurers or captives 1. It can also access reinsurance markets to transfer some of its own risks 1. It can sometimes offer greater cover than is available in the insurance market by tailoring its policies to suit its parent's needs 3. It does not have to be located in the same country as its parent company; in fact, many captives are domiciled offshore for tax or regulatory reasons

NEW QUESTION: 31

Risk management as defined by OCEG GRC model is:

- A. Capability to set and evaluate performance against objectives
- B. Capability to proactively identify, assess and address uncertainty and potential obstacles to achieving objectives
- C. Capability to proactively encourage and ensure compliance with established policies and boundaries

Answer: B (LEAVE A REPLY)

Explanation

According to 1, OCEG GRC model is "a framework for integrating governance, risk management, compliance and ethics/culture into a single capability". It defines risk management as "the capability that enables an organization to understand how uncertainty affects its ability to achieve objectives" 2.

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NEW QUESTION: 32

Which teams are composed of cross functional subject matter experts, risk experts, and process owners?

- A. Risk assessment teams
- B. Crisis Information teams
- C. Project management teams
- D. Crisis management teams

Answer: A (LEAVE A REPLY)

Explanation

Risk assessment teams are composed of cross functional subject matter experts, risk experts, and process owners. Risk assessment teams conduct risk assessments for specific areas or projects within the organization.

NEW QUESTION: 33

Which of the following documents information are relevant to the organization's risk management framework, process, and system?

- A. Reporting and auditing
- B. Recording and reporting
- C. Visualizing and conceptualizing
- D. Rationalizing and reporting

Answer: (SHOW ANSWER)

Explanation

Recording and reporting documents information that are relevant to the organization's riskmanagement framework, process, and system². These activities help to provide evidence, feedback, learning, and improvement for risk management.

NEW QUESTION: 34

Risk management professionals conduct supply-chain analyses to identify

- A. contingent business interruption coverage.
- B. customer technology needs.
- C. international regulatory requirements.
- D. potential vulnerabilities to the organization.

Answer: D (LEAVE A REPLY)

Explanation

According to page 12 of the source, risk management professionals conduct supply chain analysis to identify potential vulnerabilities to the organization. These vulnerabilities can arise due to supplier dependency, breakdowns or disruptions in the supply chain, natural or human-made disasters, political or social instability, cyberattacks or other threats. Identifying such risks is crucial to prevent adverse impacts on the organization's operations, reputation or financial position.

NEW QUESTION: 35

Risk management is tailored.

- A. True
- B. False

Answer: A (LEAVE A REPLY)

Explanation

Risk management is tailored⁴. Tailored means that risk management takes into account the specific needs, objectives, and characteristics of each organization and its context.

NEW QUESTION: 36

Treatment plan becomes a living document of defining the direction of the risk treatment and being able to monitor progress against the plan.

- A. True
- B. False

Answer: A ([LEAVE A REPLY](#))

Explanation

Treatment plan becomes a living document of defining the direction of the risk treatment and being able to monitor progress against the plan³. Treatment plan helps to ensure that risk treatment actions are aligned with the changing context, objectives, and stakeholder expectations.

NEW QUESTION: 37

Which management can be used in varied and complex settings?

- A. Crisis
- B. Quality
- C. Safety
- D. Risk

Answer: D ([LEAVE A REPLY](#))

Explanation

Risk management can be used in varied and complex settings . Risk management can help organizations deal with uncertainty and complexity in any type of activity, industry, or sector.

NEW QUESTION: 38

Which management is core to governance and compliance?

- A. Risk
- B. Crisis
- C. Quality
- D. Fillet

Answer: A ([LEAVE A REPLY](#))

Explanation

Risk management is core to governance and compliance . Risk management helps to ensure that organizational objectives are achieved in a lawful, ethical, and transparent manner.

NEW QUESTION: 39

Which type of risk remains after risk treatment has been applied?

- A. Controlled risk
- B. Residual risk

C. Avoidance risk

D. Accepted risk

Answer: B (LEAVE A REPLY)

Explanation

Residual risk is the type of risk that remains after risk treatment has been applied¹.

Residual risk reflects the remaining exposure or uncertainty after taking into account existing controls.

NEW QUESTION: 40

Which of the following is considered a risk analysis technique?

A. Budget allocation

B. Consensus building

C. Insurance placement

D. Monte Carlo simulation

Answer: D (LEAVE A REPLY)

Explanation

Monte Carlo simulation is a risk analysis technique that uses random variables to model uncertainty and generate possible outcomes². This helps to assess the probability and impact of different scenarios.

NEW QUESTION: 41

Which of the following is an important aspect with stakeholders, customers, and interested parties is the essential element for maintaining the relevance of enhanced risk management within the structure of a changing context?

A. Interviews

B. Communication

C. Brainstorming

D. Session Storming

Answer: B (LEAVE A REPLY)

Explanation

Communication with stakeholders, customers, and interested parties is an essential element for maintaining the relevance of enhanced risk management within the structure of a changing context³. Communication helps to establish trust, transparency, accountability, and feedback mechanisms for risk management.

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