

Subject Code	AF5336
Subject Title	Business Risk Management
Credit Value	3
Level	5
Normal Duration	One Semester
Pre-requisite / Co-requisite/ Exclusion	Exclusion: Corporate Risk Management (AF5322) Risk Management for Corporations (AF5333)
Role and Purposes	<p>This subject contributes to the achievement of the MoF Programme Outcomes by: apply conceptual frameworks drawn from Accounting, Risk Management, Economics, Quantitative Method, Business Ethics and Law to the analysis of investment and corporate finance issues (Outcome 1), solve asset management/corporate finance problems as they present themselves in real-life situations (Outcome 2), and formulate financial strategies and envision their outcomes (Outcome 3).</p> <p>In this subject, students would be given opportunities to <u>interpret the ethical implications</u> of relevant corporate governance issues, and also to <u>evaluate the financial risk management functions</u> of a firm, such as management of the risks when planning and implementing the related company policies. This aims to prepare the students to establish the body of knowledge necessary for independent risk management analysis and decision-making.</p>
Subject Learning Outcomes	<p>On successfully completing this subject, students will be able to:</p> <p>(a) <u>identify the role of risk management in business firms;</u></p> <p>(b) <u>apply a variety of tools to identify, measure and control a firm's risk exposure related to its operation, financing and investment in a global market environment;</u> and</p> <p>(c) <u>identify and evaluate issues related to the financial risk management functions of a firm.</u></p>
Subject Synopsis/ Indicative Syllabus	<p>Basic Concepts of Risk Management Concept of risk. Classifications of Risk. Meaning of risk management. Objectives of risk management. Evolution of risk management. Utility Theory and Risk management decisions.</p> <p>Risk Management Process Steps in the risk management process. Identification of loss exposures. Risk measurement. Value at risk (VaR). Risk control tools.</p> <p>Financial Risk Management Understanding of derivatives. Identifying, measuring and monitoring market risk. Applications of VaR. Credit exposure of different financial instruments.</p>

	Credit derivatives. Identifying, measuring and monitoring operational risk.																																																						
Teaching/Learning Methodology	Lectures will be used to provide theoretical concepts and approaches of the subject. Seminars will be used for case studies, presentation and discussion. Students are required to discuss real-world cases in seminars. They are expected to apply subject knowledge to the discussion of the current corporate risk management issues faced by a corporate administrator in their working environment. Ethical issue will also be discussed since the manager's unethical behavior will increase the risk for the company. Students are expected to actively participate in the seminars and to share their experience and learn from each other.																																																						
Assessment Methods in Alignment with Subject Learning Outcomes	<p>Assessment components include written assignments, discussion, participation and presentation of issues related to risk management and subject final examination set with risk management problems. These assessment components require students to demonstrate their ability <u>to identify and evaluate various issues in financial risk management including but not limited to ethical issues</u>, which is important particularly because manager's unethical behavior will increase the risk for the company (Programme Outcomes 1 and 2).</p> <p>Students are expected <u>to apply subject knowledge to the discussion of the current corporate risk management issues faced by a corporate administrator</u> in their working environment (Programme Outcome 2). Their application of such knowledge will be assessed in their presentation and class discussion.</p> <table border="1" data-bbox="488 1060 1463 1612"> <thead> <tr> <th rowspan="2">Specific assessment methods/tasks</th> <th rowspan="2">% weighting</th> <th colspan="6">Intended subject learning outcomes to be assessed (Please tick as appropriate)</th> </tr> <tr> <th>a</th> <th>b</th> <th>c</th> <th></th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td>1. Individual Essay</td> <td>20%</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>2. Project Presentation</td> <td>20%</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>3. Participation</td> <td>10%</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>4. Final Examination</td> <td>50%</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total</td> <td>100%</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>Explanation of the appropriateness of the assessment methods in assessing the intended learning outcomes:</p> <p>Individual Essay – students are required to write an essay on a risk management issue in a corporate environment.</p> <p>Project Presentation – students present a study of how a business firm identifies, measures and controls its different types of risk.</p>	Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed (Please tick as appropriate)						a	b	c				1. Individual Essay	20%	✓	✓	✓				2. Project Presentation	20%	✓	✓	✓				3. Participation	10%	✓	✓	✓				4. Final Examination	50%	✓	✓	✓				Total	100%						
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	<p>Participation – students are required to discuss concepts, issues, problems and cases in business risk management.</p> <p>Final Examination – 3-hour examination with questions, problems and cases that students are required to apply concepts/principles to analyze how firms can identify, measure and control their risks.</p> <p>Note: To pass this subject, students are required to obtain Grade D or above in BOTH the Continuous Assessment and Examination components. In addition, the specific requirements on individual assessment components discussed above could be adjusted based on the pedagogical needs of subject lecturers.</p>	
<p>Student Study Effort Required</p>	<p>Class contact:</p>	
	<ul style="list-style-type: none"> ▪ 13 weeks of 3 hours seminar each 	<p>39 Hrs.</p>
	<p>Other student study effort:</p>	
	<ul style="list-style-type: none"> ▪ Depends on their backgrounds, on average students are expected to spend around 2 more hours for each contact hour for reading subject materials and preparing/doing coursework assignments. 	<p>78 Hrs.</p>
	<p>Total student study effort</p>	<p>117 Hrs.</p>
<p>Reading List and References</p>	<p><u>Required Text</u></p> <p>An E-book “Risk Management” by McGraw Hill with selected chapters from:</p> <p>Crouhy, M, D. Galai and R. Mark, The Essentials of Risk Management, 2nd edition, McGraw Hill, 2014.</p> <p>Jorion, Philippe, Value At Risk: The New Benchmark for Managing Financial Risk, 3rd edition, McGraw Hill, 2007.</p> <p><u>Other References</u></p> <p>Lam, James, Enterprise Risk Management, Wiley, 2003.</p> <p>Hull, John, Risk Management and Financial Institutions, 2nd edition, Prentice Hall, 2010.</p> <p>Chance & Brooks, An Introduction to Derivatives & Risk Management, 9th edition, Thomson, 2013.</p> <p>Marthinsen, John, Risk Takers: Uses and Abuses of Financial Derivatives, 2nd edition, Pearson, 2009.</p> <p>Additional readings will be distributed in class or put into Blackboard.</p>	