

Liverpool John Moores University

Title: RISK MANAGEMENT
Status: Definitive
Code: **7518PD** (103690)
Version Start Date: 01-08-2011

Owning School/Faculty: Liverpool Business School
Teaching School/Faculty: Dublin Business School

| Team | Leader |
|----------------|--------|
| Graham Padgett | Y |

Academic Level: FHEQ7
Credit Value: 15.00
Total Delivered Hours: 32.00
Total Learning Hours: 150
Private Study: 118

Delivery Options

Course typically offered: Runs Twice - S1 & S2

| Component | Contact Hours |
|-----------|---------------|
| Lecture | 10.000 |
| Seminar | 10.000 |
| Tutorial | 10.000 |

Grading Basis: 40 %

Assessment Details

| Category | Short Description | Description | Weighting (%) | Exam Duration |
|----------|-------------------|-------------|---------------|---------------|
| Essay | AS1 | Assignment | 30.0 | |
| Exam | AS2 | Examination | 70.0 | 2.00 |

Aims

To develop students knowledge and understanding in evaluating and managing risks using an enterprise-wide approach.

To give students an understanding and an ability to formulate an integrated approach to corporate risk financing by combining concepts and tools from financial risk management disciplines.

To provide students with an understanding of the role that business and professional ethics have in formulating risk management strategies.

Learning Outcomes

After completing the module the student should be able to:

- 1 Define and contextualise the major types of risk a corporate faces, and how these risks differ across industries
- 2 Describe the contemporary corporate risk management practices and market trends evolving in different countries
- 3 Utilise current and new risk assessment tools to evaluate the major types of risk faced by corporations, and recognise the need for action thereon
- 4 Select and formulate complex corporate risk financing transactions to achieve a desired level of risk mitigation
- 5 Estimate the impact of risk on current market values of corporations and demonstrate an appreciation of the strategic context of risk in such companies
- 6 Recognise ethical issues in risk management strategies and reflect and propose solutions to these issues

Learning Outcomes of Assessments

The assessment item list is assessed via the learning outcomes listed:

| | | | | | | |
|-------|---|---|---|---|---|---|
| Essay | 1 | 2 | 3 | 4 | 5 | 6 |
| EXAM | 1 | 2 | 3 | 4 | 5 | 6 |

Outline Syllabus

Introduction:

The significance of financial risk, product innovation and financial risk. Major sources of financial risk and the concept of hedging. Importance of risk management in corporate strategy, key elements of successful risk management.

Interest Rate Risk Strategies:

Interest rate risk: sources and product set: fixed income securities and markets, term structure of interest rates, forwards, futures, swaps and options. The limits to derivatives. Black-Scholes Option Pricing Model.

Foreign Exchange Risk Strategies:

Managing foreign exchange risk: exposure and risk, internal and external hedging, futures, forwards, and options. The limits to derivatives.

Hedging Other Risks:

Evaluation of strategies available to hedge commodity risk. Credit default risk and the use of credit default swaps.

Alternative Risk Transfer Strategies:

Analysis of alternative risk transfer strategies and the role of the capital markets in the provision of insurance type products. Various ART mechanisms will be examined including weather derivatives, CAT bonds and securitisation.

Value at Risk Methodology:

Evaluation of the Value at Risk methodology and how it may be used to quantify risk. Ethical Issues: Integrating behaviour and strategy. Current issues in risk management that are related to corporate social responsibility and business ethics.

Learning Activities

The module will consist of standard lecturers, seminars and tutorials.

References

| | |
|------------------------|---|
| Course Material | Book |
| Author | Dempster, M. A. & Moffatt, H.K. |
| Publishing Year | 2002 |
| Title | 'Risk Management: Value at Risk and Beyond' |
| Subtitle | |
| Edition | |
| Publisher | Cambridge University Press |
| ISBN | 0521781809 |

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|------------------------|--|
| Course Material | Book |
| Author | Dubofsky, D. A. & Miller, T. W. |
| Publishing Year | 2007 |
| Title | 'Derivatives: Valuation and Risk Management' |
| Subtitle | |
| Edition | |
| Publisher | Oxford University Press |
| ISBN | 0195114701 |

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|------------------------|--|
| Course Material | Book |
| Author | Lumby, Steve & Jones, Chris |
| Publishing Year | 2007 |
| Title | 'Corporate Finance: Theory and Practice' |
| Subtitle | |
| Edition | |
| Publisher | Thomson Learning |
| ISBN | 1861529260 |

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| Course Material | Book |
| Author | Stulz, Ren. |
| Publishing Year | 2003 |
| Title | Risk Management and Derivatives' |
| Subtitle | |
| Edition | |

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| Publisher | Thomson Learning |
| ISBN | 0538861010 |

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| Course Material | Book |
| Author | Stanwick, P and Stanwick, S |
| Publishing Year | 2009 |
| Title | Understanding Business Ethics' |
| Subtitle | Prentice Hall |
| Edition | |
| Publisher | |
| ISBN | |

Notes

The module will consist of standard lecturers, seminars and tutorials.