ELEMENTS OF RISK MANAGEMENT PRACTICE TEST (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

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How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

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Questions

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1. What is the primary purpose of ISO 31000 in risk management?

A. Regulatory compliance checklist

B. Prescriptive industry rules

C. Provide principles, a framework, and process guidance for implementing, maintaining, and improving risk management across an organization

D. Replacing corporate governance with risk management

2. Which term is primarily concerned with shifting liability for paying a loss before it occurs?

A. Waiver of Subrogation

B. Subrogation Release

C. Transfer of Financial Responsibility

D. External Funding

3. Which term is used to classify risks tied to social stability and public relations?

A. Speculative Risk

B. Tangible Property

C. Social Class of Risks

D. Time Value of Money (TVOM) calculation

4. What is the primary purpose of a risk management program?

A. To reduce the organization's exposure to risk to an acceptable level while enabling objectives.

B. To eliminate all risk entirely.

C. To maximize profits regardless of risk.

D. To comply with regulations only.

5. Establishing backups for critical systems or operations is best described as which concept?

A. Redundancy

B. Backup

C. Replication

D. Duplication

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6. Identify the term used when payments for losses are funded by parties other than the insurer, rather than through recovery from third parties after the loss.

A. Waiver of Subrogation

B. Subrogation Agreement

C. Transfer of Financial Responsibility

D. External Funding

7. A pre-event exoneration of one party for events that may result in any loss to another party is called?

A. Waiver

B. Indemnity

C. Exculpatory Agreement

D. Release

8. Which statement best describes the role of risk criteria in risk assessment?

A. Define the method for risk scoring

B. Determine financial budgets

C. Define risk criteria, including thresholds for likelihood and impact

D. Set organizational policies

9. Which term describes a complete retention plan where risk financing is accomplished by maintaining access to funds rather than purchasing an insurance policy?

A. Self-Insured Risk Financing Plan

B. Separation

C. Risk Financing

D. Risk Management

10. What is the purpose of risk assessment within a project risk management plan?

A. To assign blame for past failures

B. To evaluate the likelihood and impact of risks

C. To maximize risk exposure

D. To determine marketing strategy

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Answers

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1. C
2. C
3. C
4. A
5. D
6. C
7. C
8. C
9. A
10. B

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Explanations

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1. What is the primary purpose of ISO 31000 in risk management?

A. Regulatory compliance checklist

B. Prescriptive industry rules

C. Provide principles, a framework, and process guidance for implementing, maintaining, and improving risk management across an organization

D. Replacing corporate governance with risk management

ISO 31000 is a broad, flexible approach to risk management that gives organizations the principles, framework, and process guidance they need to design, implement, and continually improve how they manage risk. It emphasizes that risk management should be integrated into decision-making at all levels, tailored to the organization's context, and aligned with objectives and governance. It isn't a regulatory checklist, nor does it prescribe industry-specific rules, and it doesn't aim to replace corporate governance. Instead, it provides a structured way to identify, assess, treat, monitor, and review risks so the organization can make informed choices and improve resilience over time.

2. Which term is primarily concerned with shifting liability for paying a loss before it occurs?

A. Waiver of Subrogation

B. Subrogation Release

C. Transfer of Financial Responsibility

D. External Funding

Shifting liability for paying a loss before it occurs is about transferring the financial responsibility for those losses to another party through an agreement ahead of time. This is best described by Transfer of Financial Responsibility, which explicitly conveys that one party accepts the costs of specified risks before any incident happens. The other terms focus on post-loss actions or funding: waiver of subrogation and subrogation release limit or end the insurer's right to seek recovery after a loss, while external funding refers to obtaining money from outside sources to cover losses, which may occur after the event but doesn't define an upfront transfer of responsibility.

3. Which term is used to classify risks tied to social stability and public relations?

A. Speculative Risk

B. Tangible Property

C. Social Class of Risks

D. Time Value of Money (TVOM) calculation

Risks tied to society and reputation are categorized as social risks. This category covers how social stability, public opinion, media narratives, and stakeholder trust shape an organization's risk profile, including potential impacts on legitimacy and license to operate. The term describes the domain where perceptions and societal dynamics drive risk, not financial upsides, physical assets, or purely financial calculations. The other options don't fit this social, reputational focus: speculative risk involves uncertain gains or losses, tangible property refers to physical assets, and the TVOM calculation is a financial metric rather than a risk category.

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4. What is the primary purpose of a risk management program?

A. To reduce the organization's exposure to risk to an acceptable level while enabling objectives.

B. To eliminate all risk entirely.

C. To maximize profits regardless of risk.

D. To comply with regulations only.

Risk management aims to balance risk and opportunity so the organization can pursue its goals safely and effectively. The primary purpose of a risk management program is to reduce the organization's exposure to risk to an acceptable level while enabling objectives. This means applying a structured process to identify, assess, treat, monitor, and review risks so that the remaining, or residual, risk stays within what the organization is willing to accept. It recognizes that some risk is inherent when pursuing opportunities and that elimination is usually impractical and wasteful. This approach supports decision-making and strategy by aligning risk treatment with the organization's risk appetite, using controls, resources, and monitoring to protect assets, people, and operations while still enabling desired outcomes. It's not about eradicating all risk, and not solely about chasing profits or focusing only on regulatory compliance; compliance is important, but the program's scope is broader, aiming to manage risk in a way that supports objectives.

5. Establishing backups for critical systems or operations is best described as which concept?

A. Redundancy

B. Backup

C. Replication

D. Duplication

The main idea here is creating recoverable copies of data and system configurations so you can restore operations after a loss or disruption. Backups are planned, versioned copies stored separately from the live environment, with defined retention and tested restore procedures to ensure you can recover to a known good state. This focus on recoverability and formal restoration distinguishes backups from other concepts: redundancy is about having spare components to keep services running, replication is often a real-time copy for availability, and duplication is a broad term for copying data without the explicit recovery and versioning framework that backups provide. Because the goal is to be able to restore critical systems or data after an incident, the best description is backup.

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6. Identify the term used when payments for losses are funded by parties other than the insurer, rather than through recovery from third parties after the loss.

A. Waiver of Subrogation

B. Subrogation Agreement

C. Transfer of Financial Responsibility

D. External Funding

The concept here is shifting who bears the cost of losses away from the insurer. When payments for losses are funded by parties other than the insurer, the financial responsibility is transferred to someone else through contracts or arrangements. That exact idea is captured by the term "transfer of financial responsibility," which describes moving the obligation to pay for losses to another party instead of the insurer absorbing the cost or pursuing recovery after the fact. Why this fits best: it directly describes the situation where funding comes from outside the insurer, not from the insurer's own funds and not from after-the-fact recovery from a third party. It embodies the idea of shifting financial responsibility to another party up front, rather than relying on subrogation after a loss. Why the other terms don't fit as well: a waiver of subrogation is about the insurer not pursuing recovery against a third party after paying a claim, which is the opposite of funding the loss through someone else. A subrogation agreement is the mechanism for the insurer to recover costs from a third party after paying a claim, again not about pre-funding by another party. External funding is a generic phrase and doesn't specify the formal risk-transfer relationship described by transferring financial responsibility.

7. A pre-event exoneration of one party for events that may result in any loss to another party is called?

A. Waiver

B. Indemnity

C. Exculpatory Agreement

D. Release

The idea is a contract that relieves one party from liability for certain risks before any incident happens. An exculpatory agreement is designed to excuse a party from being responsible for losses or harm that might occur, prior to the event. This makes it the best fit for "pre-event exoneration of one party for events that may result in any loss to another party," since it directly addresses releasing liability in advance. Indemnity, in contrast, focuses on promising to compensate someone after a loss occurs, rather than removing the liability itself. A release is typically used after a loss has occurred to give up the right to pursue claims. A waiver can resemble exculpation but the precise term for a pre-event removal of liability is exculpatory agreement.

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8. Which statement best describes the role of risk criteria in risk assessment?

A. Define the method for risk scoring

B. Determine financial budgets

C. Define risk criteria, including thresholds for likelihood and impact

D. Set organizational policies

Risk criteria are the standards used to judge how significant a risk is. They set the thresholds for how likely an event must be and how severe its consequences must be to count as a certain level of risk. By defining these thresholds, they give risk scoring and prioritization a consistent basis, so different risks can be compared fairly and actions can be taken when a risk exceeds what the organization is willing to tolerate. Good risk criteria align with the organization's risk appetite, regulatory needs, and stakeholder expectations, and without them, assessments can become subjective and inconsistent. The other ideas are off-target because risk criteria aren't primarily about choosing a scoring method, budgeting, or setting broad policies. They support scoring and prioritization, while budgets are part of financial planning and policies are broader governance actions.

9. Which term describes a complete retention plan where risk financing is accomplished by maintaining access to funds rather than purchasing an insurance policy?

A. Self-Insured Risk Financing Plan

B. Separation

C. Risk Financing

D. Risk Management

The concept being tested is funding risk by retaining it internally rather than buying insurance. A self-insured risk financing plan means the organization deliberately funds losses from its own resources instead of purchasing an insurance policy. It's a complete retention because there is no transfer of risk to an insurer—the plan relies on internal funds, reserves, or lines of credit to cover claims as they occur. This approach requires solid financial strength, careful budgeting, and active loss management to ensure enough funds are available for potential claims. Separation, by contrast, is about physically or functionally dividing assets to reduce exposure, not financing losses. Risk Financing is the broader category that includes both retention and transfer methods, whereas Risk Management encompasses the whole process of identifying, evaluating, and controlling risks, not just how losses are financed.

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10. What is the purpose of risk assessment within a project risk management plan?

A. To assign blame for past failures

B. To evaluate the likelihood and impact of risks

C. To maximize risk exposure

D. To determine marketing strategy

Risk assessment focuses on identifying and evaluating risks to understand which ones could affect project objectives. By estimating likelihood and impact, it helps rank risks so the team can prioritize where to invest time and resources. This informs the development of risk responses—what to avoid, transfer, mitigate, or accept—and influences planning decisions, contingency reserves, schedule buffers, and monitoring approaches. It's not about blaming past failures, increasing risk exposure, or choosing a marketing approach. For example, a potential supplier delay with a moderate chance but a high impact on the schedule would be prioritized, prompting actions such as seeking alternative suppliers or adjusting contracts. The assessment can be qualitative or quantitative, and its outputs—like a risk register or heat map—guide proactive management throughout the project.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

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We wish you the very best on your exam journey. You've got this!

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