

# Module 9 - Risk Management

## PMP Exam Questions



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# Question 1

A project manager is attending a meeting with the sponsor when a question comes up. If a project has a 60 percent chance of a US \$100,000 profit and a 40 percent chance of a US \$100,000 loss, the expected monetary value (EMV) for the project is:

- A. \$120,000 profit.
- B. \$80,000 loss.
- C. \$20,000 profit.
- D. \$50,000 loss.

# Question 2

At an organization that tries to get the best possible estimates before responding to RFP's. Assuming that the ends of a range of estimates are +/- 3 sigma from the mean, which of the following range estimates involves the least risk?

- A. 30 days, plus or minus 5 days
- B. 22 to 30 days
- C. Optimistic = 26 days, most likely = 30 days, pessimistic = 33 days
- D. Mean of 28 days

# Question 3

In a project that involves the construction of many cell towers for a large wireless carrier, which of the following risk events is most likely to interfere with attaining a project's schedule objective?

- A. Substantial increases in the cost of purchased materials
- B. Contract disputes that generate claims for increased payments
- C. Slippage of the planned post-implementation review meeting
- D. Delays in obtaining required approvals

# Question 4

A company is doing risk identification when a stakeholder asks the following question: If a risk has a 20 percent change of happening in a given month, and the project is expected to last five months, what is the probability that this risk event will occur during the fourth month of the project?

- A. Less than 1 percent
- B. 50 percent
- C. 40 percent
- D. 20 percent

# Question 5

A project has identified a risk with a component that is being delivered by a supplier being audited by the government after being accused of financial irregularities. The sponsor asks the following question: If a risk event has a 40 percent change of occurring, and the consequences will be US \$100,000, what does US \$40,000 represent?

- A. Risk value
- B. Present value
- C. Contingency budget
- D. Expected monetary value

# Question 6

At a company that manufactures 3D printers, a project manager has just finished the risk response plan for a US \$950,000 project to design the next generation of 3D printers. Which of the following should he probably do NEXT?

- A. Determine the overall risk rating of the project.
- B. Begin to analyze the risks that show up in the project drawings.
- C. Hold a project risk reassessment.
- D. Add work packages to the project work breakdown structure.

# Question 7

A company is starting to use risk management since the beginning of the year, a project manager analyzed the quality of risk data and asked various stakeholders to determine the probability and impact of a number of risks. He is about to move to the next process of risk management. Based on this information, what has the project manager forgotten to do?

- A. Provide a standardized risk rating matrix.
- B. Evaluate trends in risk analysis.
- C. Identify triggers.
- D. Create a fallback plan.



# Question 8

At a utility company that produces electricity for the entire west coast, a project manager has assembled the project team. They have identified 82 risks on the project, determined what would trigger the risks, rated them on a risk rating matrix, tested their assumptions, and assessed the quality of the data used. The team is continuing to move through the risk management process. What has the project manager forgotten to do?

- A. Simulation
- B. Risk mitigation
- C. Involve other stakeholders
- D. Overall risk ranking for the project

# Question 9

You are a project manager for the construction of a major new manufacturing plant that has never been done before. The project cost is estimated as US \$22,000,000 and will make use of five sellers. Once begun, the project cannot be cancelled, as there will be a large expenditure on plant and equipment. As the project manager, it is most important to carefully:

- A. Review all cost proposals from the sellers.
- B. Perform an identification of risks.
- C. Examine the budget reserves.
- D. Complete the project charter.

# Question 10

Your team has come up with 512 risks and 18 major causes of those risks. The project is the last in a series of projects that the team has worked on together. The sponsor is very supportive, and a lot of time was invested in making sure the project work was complete and signed off by all key stakeholders. During project planning, the team cannot come up with an effective way to mitigate or insure against a risk. It is not work that can be outsourced, nor can it be deleted. What would be the best solution?

- A. Continue to investigate ways to mitigate the risk.
- B. Look for ways to avoid the risk.
- C. Look for ways to transfer the risk.
- D. Accept the risk.

# Question 11

At a shoe manufacturing company, a project manager is quantifying risk for her project. Several of her experts are off-site, but wish to be included. How can this be done?

- A. Use Monte Carlo analysis using the Internet as a tool.
- B. Apply the critical path method.
- C. Use the Delphi technique.
- D. Determine options for recommended corrective action.

# Question 12

An experienced project manager has just begun working for a large computer systems integrator. His project involves five suppliers and 25 team members in four different cities far apart from each other. His manager provides him with a draft project charter and immediately asks him to provide an analysis of the risks on the project. Which of the following would best help in this effort?

- A. An article from *PM Network* magazine
- B. His project scope statement from the project planning process
- C. A conversation with a team member from a similar project that failed in the past
- D. His resource plan from the project planning process

# Question 13

You have been appointed as the manager of a new, large, and complex project. Your project involves 18 team members from 3 different continents. Because this project is business-critical and very visible, senior management has told you to analyze the project's risks and prepare response strategies for them as soon as possible. The organization has risk management procedures that are seldom used or followed, and has had a history of handling risks badly. The project's first milestone is in two weeks. In preparing the risk response plan, input from which of the following is generally least important?

- A. Project sponsor
- B. Project team members
- C. Individuals responsible for risk management policies and templates
- D. Key stakeholders

# Question 14

Your company is a leader in the commercial insurance business and has just won an award for best customer service. You were in the middle of a 14-month project to deploy new technology to field offices across the country. A hurricane caused power outages just when the upgrade was near completion. When the power was restored, all of the project reports and historical data were lost with no way of retrieving them. What should have been done to prevent this problem?

- A. Purchase insurance.
- B. Monitor the weather and have a contingency plan.
- C. Plan for a reserve fund.
- D. Schedule the installation outside of the hurricane season.

# Question 15

At a large industrial conglomerate business, a system development project is nearing project closing when a previously unidentified risk is discovered. This could potentially affect the project's overall ability to deliver. What should be done next?

- A. Alert the project sponsor of potential impacts to cost, scope, or schedule.
- B. Mitigate this risk by developing a risk response plan.
- C. Develop a workaround.
- D. Qualify the risk.



# Question 16

At an engineering firm a highway improvement project is underway. This work is long over due since it will improve the transportation between two distant cities. The cost performance index (CPI) of the project is 0.7 and the schedule performance index (SPI) 0.81. The project has 722 work packages and is being completed over a three-year period. The team members are very inexperienced and the project received little support for proper planning. Which of the following is the best thing to do?

- A. Spend more time improving the cost estimates.
- B. Remove as many work packages as possible.
- C. Update risk identification and analysis.
- D. Reorganize the responsibility assignment matrix.

# Question 17

At a carpet manufacturing company a PMP–certified project manager has been assigned to lead the design of a new carpet for a company that owns many hotels across the world. During project executing, a major problem occurs that was not included in the risk register. What should he do first?

- A. Reevaluate the Identify Risks process.
- B. Create a workaround.
- C. Look for any unexpected effects of the problem.
- D. Tell management.

# Question 18

A project has had some problems, but now seems under control. In the last few months, almost all the reserve has been used up and most of the negative impacts of events that had been predicted have occurred. There are only four activities left, and two of them are on the critical path. Management now informs the project manager that it would be in the performing organization's best interest to finish the project two weeks earlier than scheduled, in order to receive an additional profit. In response, the project manager sends out a request for proposal for some work that the team was going to do, hoping to find another company that might be able to do the work faster. The project manager can best be said to be attempting to work with:

- A. Reserve.
- B. Scope validation.
- C. Opportunities.
- D. Threats.

# Question 19

A large construction company uses risk management in all of their projects to ensure they all meet the internal and external requirements. The company is hiring project managers that have experience using Monte Carlo analysis. What is this technique used for?

- A. Estimate an activity's length.
- B. Simulate possible quality issues on the project.
- C. Prove to management that extra staff is needed.
- D. Get an indication of the risk involved in the project.

# Question 20

At an auto manufacturer company that specializes in electric vehicles, a project team is creating a project management plan when management asks to identify project risks and provide some form of qualitative output as soon as possible. What should the project team provide?

- A. Risk triggers
- B. Contingency reserves
- C. Prioritized list of project risks
- D. Probability of achieving the time and cost objectives

# Question 21

At a new nuclear plant construction project that will generate 20% of the electricity for a small community, a project manager is creating a risk response plan. However, every time a risk response is suggested, another risk is identified that is caused by the response. Which of the following is the best thing for the project manager to do?

- A. Make sure the project work is better understood.
- B. Document the new risks and continue the Plan Risk Responses process.
- C. Spend more time making sure the risk responses are clearly defined.
- D. Get more people involved in the Identify Risks process, since risks have been missed.

# Question 22

A company is working on a new software upgrade project for a health provider. The upgrade is required in order to comply with the new government regulations. During the Identify Risks process, a project manager and stakeholders used various methods to identify risks and then created a long list of those risks. The project manager then made sure all the risks were understood and that triggers had been identified. Later, in the Plan Risk Responses process, he took all the risks identified by the stakeholders and determined ways to mitigate them. What has he done wrong?

- A. The project manager should have waited until the Perform Qualitative Risk Analysis process is get the stakeholders involved.
- B. More people should have been involved in the Plan Risk Responses process.
- C. The project manager should have created workarounds.
- D. Triggers should not be identified until the Identify Risks process.

# Question 23

Project meeting's agendas can get very busy with updates, issues, decisions and many other topics that the project manager needs to discuss with the team. Which of the following must be an agenda item at all team meetings?

- A. Status of current activities
- B. Discussion of project risks
- C. Identification of new activities
- D. Review of project problems