

PAK Memorization Aid

Advanced Finance / ERM (AFE) Exam
Spring 2012 Edition



Steps to Manage Strategic Risk

(FE-159-09)

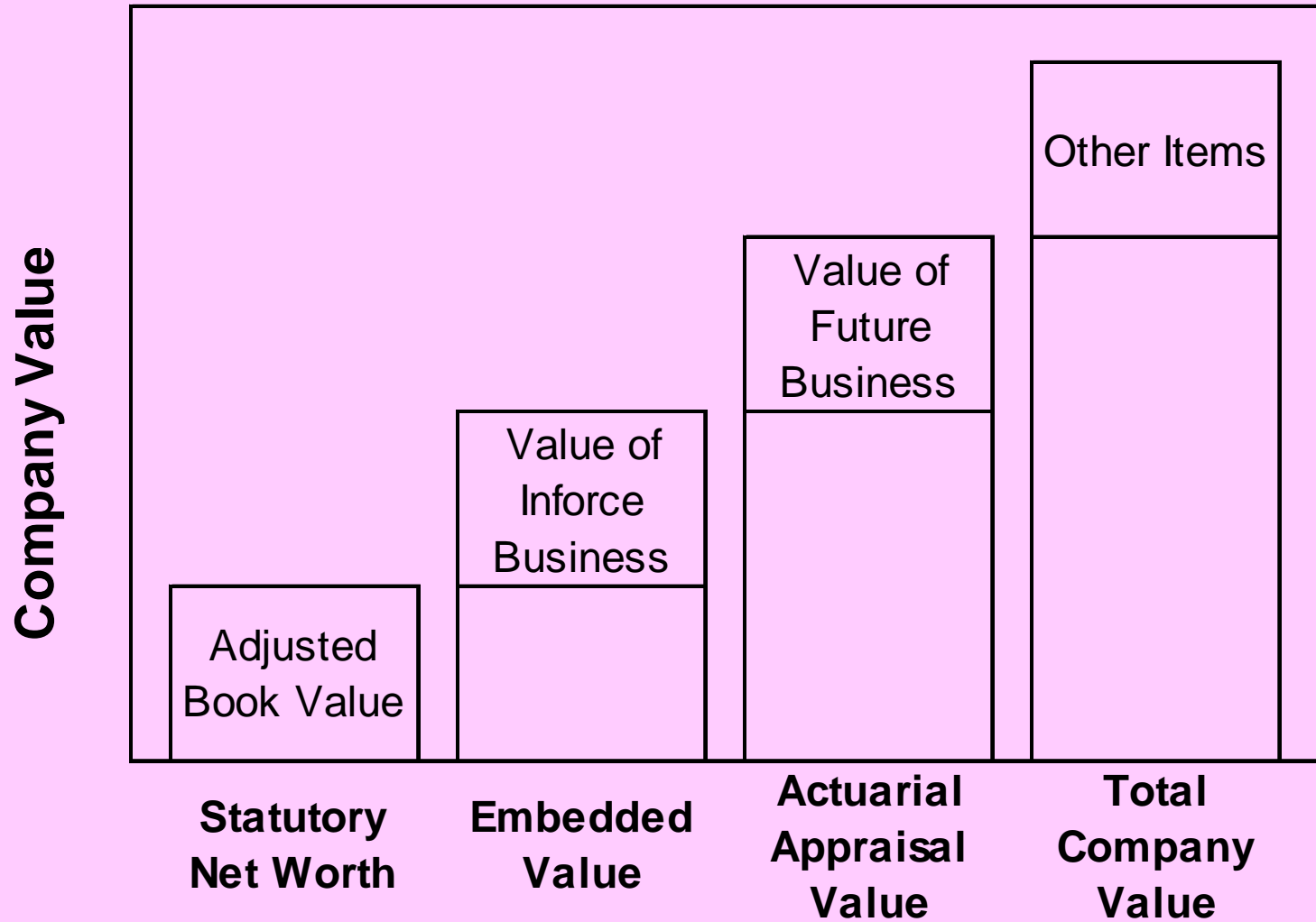
Steps to Manage Strategic Risk

1. Identify and assess the risks
2. Map the risks
3. Quantify the risks
4. Identify the upside of @ risk
5. Develop risk mitigation plans
6. Adjust capital decisions

Total Company Value

(FE-179-11)

Components of Value



Baseline Company Value Formula

(Corporate Value of ERM Ch.5)

$$\text{Company Value} = \sum_{n=1}^{\infty} \frac{\text{DistCF}_n}{(1+d)^n}$$

OR

$$\text{Company Value} = \frac{\text{DistCF}_1}{(1+d)^1} + \frac{\text{DistCF}_2}{(1+d)^2} + \dots + \frac{\text{DistCF}_N}{(1+d)^N} + \frac{\text{TV}_N}{(1+d)^N}$$

$$\text{TV}_n = \frac{\text{DistCF}_N \times (1+g)}{(d-g)}$$

Risk Assessments in the Strategic Management Process

(SRM Ch.1)

