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QUESTION & ANSWER

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Exam : PMI-RMP

**Title : PMI Risk Management
Professional**

Version : DEMO

1.As per the risk analysis process carried out for a project, two risks are registered. The probability risk A will occur is 40% and its monetary impact to the project is US\$100,000. The probability risk B will occur is 60% and its monetary impact to the project is US\$20,000.

What is the total contingency budget that should be created?

- A. US\$68,000
- B. US\$52,000
- C. US\$120,000
- D. US\$80,000

Answer: B

Explanation:

In risk management, to calculate the contingency budget for risks, we use the Expected Monetary Value (EMV) formula: $EMV = \text{Probability of Risk} \times \text{Impact of Risk}$
 $EMV = \text{Probability of Risk} \times \text{Impact of Risk}$ For Risk A:

Probability: 40% or 0.40

Impact: US\$100,000

$EMV \text{ of Risk A} = 0.40 \times 100,000 = US\$40,000$

For Risk B:

Probability: 60% or 0.60

Impact: US\$20,000

$EMV \text{ of Risk B} = 0.60 \times 20,000 = US\$12,000$ Total contingency budget = EMV of Risk A + EMV of Risk B
 $40,000 + 12,000 = US\$52,000$

Thus, the total contingency budget required for both risks is US\$52,000. This approach follows PMI's risk management guidelines, specifically under the "Quantitative Risk Analysis" process. This process focuses on determining numerical probabilities and monetary impacts to compute the expected financial impact of identified risks.

2.A risk manager notices that a risk owner is facing challenges implementing their response strategy and the costs are significantly exceeding expectations.

What is the first thing the risk manager should do?

- A. Highlight this situation to the project manager
- B. Conduct a cost-benefit analysis
- C. Change the risk response strategy
- D. Analyze the situation and meet with the risk owner

Answer: D

Explanation:

The first thing the risk manager should do is analyze the situation and meet with the risk owner. This will allow the risk manager to understand the challenges faced by the risk owner and work with them to find a solution. Conducting a cost-benefit analysis or changing the risk response strategy may be necessary, but it is important to first understand the situation before taking any action.

According to the PMI-RMP Exam Content Outline, one of the tasks in the domain of Risk Response Planning is to "assist the risk owners in developing and implementing risk response strategies and actions based on the agreed-upon risk response plan". Therefore, the first thing the risk manager should do is to analyze the situation and meet with the risk owner to understand the root cause of the challenges and the cost overrun, and to discuss possible solutions or alternatives. Highlighting this

situation to the project manager, conducting a cost-benefit analysis, or changing the risk response strategy are possible actions that can be taken after the analysis and meeting, but not before.

Reference: PMI-RMP Exam Content Outline, Domain 3: Risk Response Planning, Task 31

3.The risk manager also serves as a facilitator for a project and realizes the project team members have biases impacting how they perceive risks.

What analysis is currently being used?

- A. Quantitative risk analysis
- B. Force field analysis
- C. Qualitative risk analysis
- D. Stakeholder analysis

Answer: C

Explanation:

The analysis currently being used is qualitative risk analysis. Qualitative risk analysis involves assessing risks based on their likelihood of occurrence and their potential impact on the project. This type of analysis can help identify biases that may be impacting how team members perceive risks. Qualitative risk analysis is the process of prioritizing individual project risks for further analysis or action by assessing their probability of occurrence and impact as well as other characteristics. Qualitative risk analysis helps to identify the most significant risks that require attention and response planning. One of the tools and techniques used in qualitative risk analysis is risk data quality assessment, which evaluates the degree to which the data about individual project risks is useful for risk management. Risk data quality assessment considers various aspects of data quality, such as reliability, accuracy, integrity, precision, and bias. Bias is the tendency of human judgment to be influenced by personal or organizational preferences, assumptions, beliefs, or emotions, rather than by objective facts or evidence. Bias can affect how project team members perceive and assess risks, leading to inaccurate or incomplete risk analysis results. Therefore, the risk manager who realizes the project team members have biases impacting how they perceive risks is currently using qualitative risk analysis to prioritize the risks and assess the quality of risk data.

Reference: PMI, Practice Standard for Project Risk Management, 2009, p. 37-38, 41-42.

4.A project manager has requested a risk manager facilitate risk identification on a project. While facilitating this effort, the project manager wants to ensure that stakeholders interact and provide their expertise so that an exhaustive list of risks is created.

Which risk identification technique should the risk manager use?

- A. Prompt lists
- B. Interviews
- C. Delphi technique
- D. Nominal group technique

Answer: D

Explanation:

The risk identification technique that the risk manager should use is the nominal group technique. This technique involves bringing stakeholders together to brainstorm potential risks and then ranking them based on their importance. This allows for interaction and collaboration among stakeholders, which can help ensure that an exhaustive list of risks is created.

The nominal group technique is a risk identification technique that involves the interaction and collaboration of stakeholders to generate an exhaustive list of risks. It is a structured process that allows each participant to share their ideas independently, then rank and prioritize them as a group. This technique ensures that all opinions are considered and reduces the influence of dominant or biased individuals¹²

Reference: 1: PMI Risk Management Professional (PMI-RMP)® Handbook, page 10 2: A Guide to the Project Management Body of Knowledge (PMBOK® Guide) – Seventh Edition, page 11.2.2.1.

5. In a project to promote public health and mitigate health risks, the national health authorities intend to take actions to limit the risks of harmful insects by using pesticides; however, it is expected that some residents will have negative health effects due to the use of the pesticides but according to the assessment completed by the health authorities, not moving forward with this plan will have much more serious consequences on public health rather than following through with the original plan.

How should the project manager address this concern with the health authorities?

- A. Suspend the project as the secondary risk will negatively impact residents' health which is not acceptable.
- B. Consult with health experts to provide a risk trigger before using pesticides that will impact the residents.
- C. Assess and record associated secondary risks and proceed to treat them as any other risks.
- D. Proceed with the project as normal since a minor number of residents will be effected negatively.

Answer: C

Explanation:

The project manager should assess and record associated secondary risks and proceed to treat them as any other risks. This involves identifying and evaluating the potential negative health effects of using pesticides and developing a plan to mitigate these risks. While it is important to consider the concerns of residents, the health authorities have determined that not moving forward with the plan will have more serious consequences on public health.

Secondary risks are those that arise as a direct outcome of implementing a risk response. In this case, the use of pesticides is a risk response to limit the risks of harmful insects, but it may also cause negative health effects to some residents. This is a secondary risk that needs to be assessed and recorded in the risk register, along with its probability, impact, and response plan. The project manager should not suspend the project, as this would ignore the primary risk of harmful insects. The project manager should not consult with health experts to provide a risk trigger, as this is not a valid risk management technique. A risk trigger is an indication that a risk event is about to occur or has occurred, not a condition that prevents a risk response from being implemented. The project manager should not proceed with the project as normal, as this would neglect the secondary risk and its potential consequences. The project manager should follow the risk management process and treat the secondary risk as any other risk in the project.

Reference: PMI. (2017). A Guide to the Project Management Body of Knowledge (PMBOK® Guide) – Sixth Edition. Chapter 11: Project Risk Management, p. 408. 5