

## BSM939 UNCERTAINTY AND RISK IN BUSINESS READING LIST 2012/13

Please see below the full reading list for the module BSM939 Uncertainty & Risk in Business, which includes online readings that are available to access via the journal articles or book chapter folders on Blackboard.

### Recommended Reading:

The lectures will draw on a number of sources, and hence the reading list is likely to include cases and non-technical journal papers. Students may be required to use two sources of information in particular:

1. Corporate Risk Management, (Ed.) Donald H. Chew, ISBN: 978-0-231-14363-9
2. Podcasts linked to the Power Point presentations made during the lectures, prepared by the lecturer, drawing on multiple journal articles etc, and made available through Blackboard.

In addition, in due course, students would be referred to a text book and available online information (including tutorials) about hedging tools such as options and futures. Some articles on financial derivatives might be useful:

Bhaumik, S.K. (1997). Financial derivatives I: A bird's eye view of the products. *ICRA's Bulletin, Money & Finance*, December (<http://www.icra.in/Files/MoneyFinance/Dec97FinancialDerivatives.pdf>).

Bhaumik, S.K. (1998). Financial derivatives II: The risks and their management. *ICRA's Bulletin, Money & Finance*, April (<http://www.icra.in/Files/MoneyFinance/April1998FinancialDerivativeII.pdf>).

Stulz, R.M. (2004). Should we fear derivatives? Working Paper No. 10574, National Bureau of Economic Research, Cambridge, Massachusetts.

The main journal articles etc that the lectures will draw on are as follows:

#### Lecture 1: Risk and uncertainty

Culp, C.L. (2002). The revolution in corporate risk management: A decade of innovations in process and products. *Journal of Applied Corporate Finance*, 14(4): 8-26.

Kimball, R.C. (2000). Failures in risk management. *New England Economic Review*, The Federal Reserve Bank of Boston, January/February: 3-12 (<http://www.bostonfed.org/economic/neer/neer2000/neer100a.pdf>)

Stulz, R. (1996). Rethinking risk management. *Journal of Applied Corporate Finance*, 9(3): 8-25.

Triantis, A. (2005). Real options and corporate risk management. *Journal of Applied Corporate Finance*, 13(2): 64-73.

#### Lectures 2: Price risk

Edwards, F.R. and Canter, M.S. (1995), The collapse of Metallgesellschaft: Unhedgeable risks, poor hedging strategy, or just bad luck. *Journal of Futures Markets*, 15(3): 211-264.

Finon, D. (2008). Investment risk allocation in decentralised electricity markets. The need of long term contracts and vertical integration. *OPEC Energy Review*, 32(2): 150-183.

Haushalter, G.D. (2000). Financing policy, basis risk, and corporate hedging: Evidence from oil and gas producers. *Journal of Finance*, 55(1): 107-152.

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### Lectures 3 & 4: Exchange rate and interest rate risk

Culp, C.L., Miller, M.H. and Neves, A.M.P. (1998). Value at risk: Uses and abuses. *Journal of Applied Corporate Finance*, 10(4): 26-38.

Jorion, P. (2000). Risk management lessons from Long-Term Capital Management. *European Financial Management*, 6(3): 277-300.

Miller, M.H. and Ross, D.J. (1997). The Orange County bankruptcy and its aftermath: Some new evidence. *The Journal of Derivatives*, 4(4): 51-60.

### Lectures 5 & 6: Operational risk and governance risk

Basel Committee on Bank Supervision(2011). Principles for the sound management of operational risk. Bank for International Settlements, Basel, Switzerland (<http://www.bis.org/publ/bcbs195.htm>).

Brodeur, A. (2010). A board perspective on enterprise risk management. McKinsey Working Papers on Risk No. 18 ([http://www.mckinsey.com/client\\_service/risk/latest\\_thinking/working\\_papers\\_on\\_risk](http://www.mckinsey.com/client_service/risk/latest_thinking/working_papers_on_risk)).

Eisenhardt, K.M. (1989). Agency theory: An assessment and review. *The Academy of Management Review*, 14(1): 57-74.

Stoll, H.R. (1995). Lost Barings: A tale in three parts concluding with a lesson. *The Journal of Derivatives*, 3(1): 109-115.

### Lecture 7: Political risk and macroeconomic risk

Bremmer, I. (2005). Managing risks in an unstable world. *Harvard Business Review*, June: 51-60.

Davis, N., Gerner, S. and Greenberg, E. (2008). Shaping strategy in a highly uncertain macro-economic environment. McKinsey Working Papers on Risk No. 8 ([http://www.mckinsey.com/client\\_service/risk/latest\\_thinking/working\\_papers\\_on\\_risk](http://www.mckinsey.com/client_service/risk/latest_thinking/working_papers_on_risk)).

Diamonte, R.L., Liew, J.M. and Stevens, R.L. (1996). Political risk in emerging and developed markets. *Financial Analysts Journal*, 52(3): 71-76.

Wolfers, J. (2006). New uses for new macro derivatives. *FRBSF Economic Letter*, The Federal Reserve Bank of San Francisco, 2006-21 (August 25) (<http://www.frbsf.org/publications/economics/letter/2006/el2006-21.pdf>).

### Lecture 8: Impact of regulation and government policy on risk

Acharya, V.V. and Richardson, M. (2009). Causes of the financial crisis. *Critical Review: A Journal of Politics and Society*, 21(2-3): 195-210.

Jackson, P. et al. (1999). Capital requirements and bank behaviour: The impact of the Basle accord. Basle Committee on Banking Supervision Working Paper No. 1, Bank for International Settlements, Basel, Switzerland ([http://www.bis.org/publ/bcbs\\_wp1.htm](http://www.bis.org/publ/bcbs_wp1.htm)).

### Useful Reference:

CME Group, <http://www.cmegroup.com/education/index.html>

Chicago Board Options Exchange, <http://www.cboe.com/learncenter/tutorials.aspx>