

Individual assignment



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Running Head: REGULATORY RISK PLAN FOR ALUMINA, INC. Regulatory Risk Plan for Alumina, Inc. By Regulatory Risk Plan for Alumina, Inc.

Kinds of Regulatory Risks

1. Transaction Risks

Identification: They are risks that are present in the company's products like for

example the production of Alumina's automotive components, the manufacture of the packaging materials, the mining of bauxite, the refinery of alumina, and the smelting of aluminum.

Consequences: Exposure to risk can lead to inability to process and operate company

business completely, correctly and thoroughly. In Alumina's case, it may result to

a suspension of the company's business because of the inability of its operations

to get rolling.

Management: Transaction risks are within the scope of the functions of internal

quality control, information systems and operating processors. Management of this type of risk is primarily preventive, that is, the internal audit system must ensure the sufficiency and integrity of all operating processes, the qualifications of all employees, and the readiness and effectiveness of the back-up system that may be used in the event of crisis whether internal or external ((Pricewaterhouse Coopers 2001 p 24).

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2. Compliance Risks

Identification: Compliance risks are risks that will result to loss of income and earnings to Alumina, Inc if they are not managed and prevented. This kind of risk can happen when laws, regulations, ethical standards or other practices prescribed by law are not met by the company.

Consequences: Exposure to fines, penalties, damages, or the nullification of contracts.

Moreover, it can ruin the company's reputation in the eyes of the public, which can lead further to a decrease of its stock value, reduction of business opportunities, diminish expansion opportunities and lead to unenforceable contracts.

Management: Compliance risks are best managed by preventive measures like ensuring that company operations do not violate any of the standards set by law. Both internal and external audit must be done periodically to ensure that company operations are within the limits of standards set by law (Pricewaterhouse Coopers 2001 p 24).

2. Common Torts and Risks:

Torts are also known as civil wrongs and entitle a victim to recover damages.

There are three kinds of Torts: intentional torts; negligence and; strict tort liability. Intentional torts are injuries that a party sustained as a result of another person's intentional acts. Examples of intentional torts are:

defamation, which are untrue statements made by a person to inflict damage against another; contract interference, or interfering on the freedom of parties to enter into contract; false imprisonment, is the detention of an

unwilling party; intentional infliction of emotional distress, and; invasion of privacy, which can be committed either by interfering with another's privacy business, disclosing to the public the private matters of another, and; stealing the identity of another for profit (Jennings 2005 pp 367-380).

The tort of negligence, on the other hand, presupposes a situation when a party comes to harm because the other party acted in wanton disregard of other's safety and health. To prove negligence, its five elements must concur and be proven: the duty to act with care; the breach of the duty through careless actions; causation, or that the breach of the party of the duty of care is the result of the injuries sustained; the negligence of the party must be the direct or proximate cause of the injury, and; the victim must show that he or she must have sustained damages because of the negligent act of the other party (Jennings 2005 pp 383-394).

Finally, strict tort liability is a type of tort that is so called because the law imposes absolute liability on the erring party and providing him with almost no defenses. Strict liability torts can ensue from statutory violation like the law on biomedical disposition or by reason of public policy which makes manufacturers liable for defects in their product. The intention for this is obviously to make them extra careful in the preparation of their products for public consumption (Jennings 2005 p 403).

References

Jennings, Marianne. Business: Its Legal, Ethical, and Global Environment. Edition7, illustrated. Cengage Learning, 2005.

Pricewaterhouse Coopers. The Regulatory Risk Management Handbook. M. E. Sharpe, 2001.