

UNIVERSITI TEKNOLOGI MARA

**RISK MANAGEMENT IN BELUM RAINFOREST
RESORT : A CASE STUDY**



NUR RAHIFAH BINTI AMIRUDIN

Applied research project submitted in partial fulfilment
for the degree of
Master in Forensic Accounting and Financial Criminology

Faculty of Accountancy

June 2012

ABSTRACT

In today's world, the relationship between risk and business performance is undeniable. Every business venture proved to be risky, regardless the size and type of business. The riskiness of the business has prompted the management to find ways to manage the risks to an accepted level. Risks can be classified into several forms and it may derive from many sources. The purpose of this applied research is to identify the type of risks that associate with the operation of the resort. This study will look into the factors that contribute to the occurrence of risk. Those factors could derive from the internal or external environment. The impact of risks to the performance of the resort, either financial or non financial will be given the same attention. This study also examines the effectiveness of the risk management process implemented in resort. In order to examine the type of risk faced by the resort, the factor and impacts of risk, a case study of Belum Rainforest Resort is chosen. Finally, the conclusion of this study shows the risks can be managed through the right combination of risk management techniques. Some recommendation has been made to increase the effectiveness of the risk management process implemented in Belum Rainforest Resort.

ACKNOWLEDGEMENT

There are several people played an important role in the completing of this applied research. And I would like to thank and acknowledge them here.

I would like to acknowledge the advice and guidance of Dr. Anuar Nawawi, my applied research supervisor. His continuous energy and enthusiasm in the applied research class had helped and motivated all his students, including me. In addition, he was always willing to help his students with their research. His understanding and vast knowledge in this topic helps me to enhance my grabs on this topic, and hence, helps me in writing a better piece for this applied research paper.

I would like to thank my UITM master in forensic accounting and financial criminology classmate, batch 2009 for sharing their opinion and ideas on this topic. Without the help from them, I will not be able to finish this applied research in style.

I would also like to express my deepest gratitude to my family members, especially my parents for supporting and encouraging me to continue my study. Without encouragement from them, I would not have finished this course.

TABLE OF CONTENTS

<u>Chapter</u>	<u>Contents</u>	<u>Page</u>
	Candidate's declaration	
	Abstract	ii
	Acknowledgement	iii
	Table of Contents	iv
	List of Tables	vii
	List of Figures	viii
1	Introduction	1
	1.0 Preamble	1
	1.1 Motivation of study	4
	1.2 Problem statement	4
	1.3 Research questions	5
	1.4 Objectives of the study	5
	1.5 Scope of research	5
	1.6 Contribution of the research	6
	1.7 Organization of the study	6
2	Background of the Study	7
	2.0 Brief description of Belum Rainforest Resort	7
	2.1 Organization chart of Belum Rainforest Resort	10
	2.2 Past performances	11
	2.2.1 Trend analysis	11
	2.2.2 Financial ratio analysis	14
	2.2.2.1 Profitability ratios	14
	2.2.2.2 Liquidity ratios	15
	2.2.2.3 Activity ratios	16
	2.2.2.4 Financial leverage ratios	16
	2.3 Strengths and weaknesses of the organization	17

CHAPTER 1

INTRODUCTION

1.0 Preamble

The process of managing and operating a resort is just like any other business. It will always involve in risk and no matter where it is established, there are incidents that may arise and management must be ready to deal with it. According to Emmett J.Vaughan (1997, p.8), 'risk is a condition in which there is a possibility of an adverse deviation from a desired outcome that is expected or hoped for'. Risk can be classified into several categories, such as financial and non financial risk, static and dynamic risk, pure and speculative risks, and also fundamental and particular risks. Financial risk consists of the relationship between the entity and a prospect of income or asset that may be lost or damaged. As for nonfinancial risk, it involves a risk that which if it happens there would not be any monetary consequences. Dynamic risk, according to Vaughan (1997, p. 13) stated those resulting from changes in the external environment such as economy, industry, competitors and consumer. Dynamic risk is the kind of risk that resort management has no power or ability to prevent it from happening. Opposite to the dynamic risk, static risk refers to risk that will occur even if no changes in the economic condition. Speculative risk is a risk for which it is not possible to determine if the result will be a loss or gain. Pure risk, in other hand, is a risk that involves a chance of loss or no loss, but no chance of gain. Fundamental risk is an exposure to loss from a situation affecting a large group of people, usually caused by economic, social and political phenomena and also natural phenomena such as flood and earthquake. The loss from fundamental risk is impersonal in its origin and consequences. When losses are suffered by individuals rather than group and that kind of losses occur from individual event, the risk to be connected with is a particular risk. There are other types of risks such as environmental risk, liability risk, market risk, management risk, business risk and risks derived from personnel. The