**[U02a2] Unit 2 Assignment 2**

**Identify and Analyze Risk Project**

For this part of the project you will identify and analyze the risk of your selected company. Complete the follow tasks:

1. Clearly map out all the possible risks that the company can face in the course of its business activity. To map out the possible risks, identify the factors that are specific to your selected company. Some examples of factors are:
   * The types of business it does.
   * Characteristics of its customer base.
   * Characteristics of its suppliers of resources such as raw materials or funds.
   * Existence of any international trade or transaction.
   * Geographic location prone to natural disaster.

Factors such as terrorism or war are general risks, so these should not be considered for the purpose of this project.

1. Explain, with clear justification, why you think the company faces the risks you have identified.
2. Develop, with clear justification, a probability distribution of the loss that the company may face from the identified risks. Then estimate the expected value and standard deviation of loss for each risk.

KR faces the following risks: (1) product liability; (2) employment practices risks; (3) environmental degradation; (4) accounting compliances; (5) currency risks; (6) market or industry risks; (7) operational risks (including facility losses); (8) risk of losses from thefts; (9) legal risks; (10) Financial risk; (11) credit risk;

One of the past losses KR faced was due to financial risk. KR may have more financial risk than other companies in the Food and Staples Retailing industry as it is one of the most highly leveraged with a Debt to Total Capital ratio of 67.42%. This ratio actually increased over the last year. Accounts Receivable are among the industry's worst with 3.61 days worth of sales outstanding. This implies that revenues are not being collected in an efficient manner.

**References:**

Yahoo Finance, KR-Statistics. (2012) Retrieved 4/15/12 from: <http://finance.yahoo.com/q/ks?s=KR+Key+Statistics>

Bloomberg Businessweek, Kroger Company. (2012) Retrieved 4/15/12 from: <http://investing.businessweek.com/research/stocks/financials/financials.asp?ticker=KR:US&dataset=balanceSheet&period=A&currency=native>

This paper will identify and analyze the risks of The Kroger Company (KR). These risks can either be internally or externally driven. The following is a list of possible risks faced by KR.