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Managing Finance in a Digital World

Cima E1

Version Demo

Total Demo Questions: 38

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Topic Break Down

Topic	No. of Questions
Topic 1, The role of the finance function	191
Topic 2, Technology in a digital world	61
Topic 3, Data and information in a digital world	40
Topic 4, People in a digital world	91
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QUESTION NO: 1

One of the finance function's main stakeholders provides feedback on customer responses and reviews about the organisation's products and services. Which of the following will provide this feedback?

A. Sales function

B. Shareholders

C. Production function

D. Human Resources

ANSWER: A

Explanation:

The **Sales function** is the appropriate stakeholder because it has direct, routine contact with customers throughout the sales process. Sales teams hear customer views on product features, quality, pricing, service levels, competitor offerings, and reasons for purchasing or not purchasing. They can also collect and interpret reviews, complaints, objections, and recurring customer requests. This information is valuable to finance because it helps the function understand the commercial drivers behind revenue, demand patterns, customer retention, discounts, and product profitability.

In its business-partnering role, finance uses such operational and market feedback to improve forecasts, evaluate performance, challenge assumptions in budgets, and support decisions on pricing, product investment, and resource allocation. Customer-response information supplied by sales therefore connects external market experience with internal financial planning and analysis. This reflects the E1 focus on finance collaborating with operational stakeholders to provide insight that supports organisational decision-making. Further information on the CGMA Professional Qualification and its emphasis on finance in a business context is available from AICPA & CIMA's CGMA Professional Qualification resources and AICPA & CIMA.

QUESTION NO: 2

Which of the following provides the best description of an intranet?

A. Employees use networked computers to access information held on a server.

B. Authorised outsiders use networked computers to access information held on a server.

C. A worldwide network of computers.

D. A collection of data organised to service many applications providing access to a wide variety of users.

ANSWER: A

Explanation:

"Employees use networked computers to access information held on a server." is the best description of an intranet. An intranet is a private network used within an organisation to make internal information, resources, applications, and communications available to its employees or other authorised internal users. It commonly uses the same underlying standards and technologies as the internet, such as web browsers, web servers, and TCP/IP, but access is controlled by the organisation rather than being openly available to the public.

In a business context, an intranet can provide staff with access to policies, procedures, internal news, finance and HR systems, shared documents, knowledge bases, and collaboration tools. Centralising this material on organisational servers or cloud-hosted internal platforms supports consistent information sharing and can improve operational efficiency. Authentication and permissions ensure that users access only the information appropriate to their roles. CIMA's digital-business context recognises that networked systems enable internal communication and the distribution of information across an organisation. The UK National Cyber Security Centre also describes intranets as internal networks and highlights the importance of managing access securely. See NCSC Small Business Guide and Cloudflare's overview of intranets.

QUESTION NO: 3

Which TWO of the following key business areas can a standard cost record assist with?

A. Pricing decisions

B. Break-even analysis

C. Inventory level

D. Receivables collection

ANSWER: A B

Explanation:

A standard cost record sets out the expected unit cost of making or supplying a product or service, normally by identifying standard quantities and prices for materials, labour and overheads. This provides a consistent cost base that managers can use in pricing decisions. In particular, knowing the expected cost per unit helps the business set prices that are intended to recover costs and deliver a required contribution or margin, while also allowing management to assess the financial consequences of proposed price changes.

It also supports break-even analysis because standard unit costs can be separated into variable-cost and fixed-cost elements. Managers can then use the expected variable cost per unit, together with selling price and total fixed costs, to calculate contribution and determine the volume of sales required to break even. A standard cost is therefore useful both for planning prices and for modelling the relationship between sales volume, costs and profit. Standard costing is also a key basis for management control, as actual costs can subsequently be compared with the planned standard and investigated through variance analysis. See ACCA's standard costing guidance and OpenStax's contribution-margin explanation.

QUESTION NO: 4

N is working on a project management team for the first time and is aware that there are distinct stages that follow on consecutively in the project management process However, N is unsure of the exact order of these stages

Which of the following indicate the project management stages in the correct order?

A. Initiation. planning, controlling, executing, review and close

B. Planning initiation, executing, controlling, review and close

C. Initiation, planning, executing, controlling, review and close.

D. Planning, initiation, controlling, executing, review and close

ANSWER: C

Explanation:

"Initiation, planning, executing, controlling, review and close." gives the recognised logical sequence for managing a project. Initiation establishes the project's purpose, objectives, scope, feasibility and authority to proceed. Planning then translates those aims into an achievable approach, including the schedule, resources, budget, risks, responsibilities and controls. Executing is the stage in which the planned work is undertaken and deliverables are produced. Controlling follows as the formal management activity of measuring actual progress and performance against the approved plan, addressing variances, managing change and taking corrective action where required. Review and close completes the project by obtaining acceptance of the deliverables, handing them over, closing outstanding administrative or contractual matters, releasing resources and recording lessons learned for future work. In practice, control is performed throughout execution rather than being confined to a single isolated moment; however, this ordered presentation correctly reflects the project-management lifecycle used for planning and governing a project. This aligns with the process-group model described by the Project Management Institute and the lifecycle guidance in the UK government's Project Delivery Framework.

QUESTION NO: 5

SSS has adopted some outsourcing practices in order to improve efficiency of its operations. One of the managers has been made aware that the supplier is now also working for a competitor. Which TWO of the following should SSS be concerned with regarding the supplier's and ompetitor's new relationship?

A. Risk of loss of confidential information

B. Risk of continuity of supply

C. Risk of increased transaction costs

D. Risk of losing core competence

ANSWER: A B

Explanation:

The supplier’s relationship with a direct competitor creates a material **risk of loss of confidential information**. An outsourced provider may have access to SSS’s commercially sensitive data, such as pricing, customer information, operating processes, forecasts, systems access, and intellectual property. SSS should therefore ensure that the outsourcing contract contains clear confidentiality commitments, access controls, data-handling requirements, segregation of client teams and systems, and procedures for monitoring compliance. These measures help prevent confidential information being disclosed, intentionally or inadvertently, across competing client engagements.

There is also a **risk of continuity of supply**. A supplier serving both SSS and a competitor may face competing demands for skilled people, production capacity, technology resources, or service-delivery priority. If its capacity becomes constrained, the supplier’s ability to continue providing the agreed service levels to SSS could be affected. SSS should assess supplier capacity, require robust business-continuity and contingency arrangements, define service levels and escalation routes, and retain an exit or alternative-supplier plan. Supply-chain security guidance emphasises the importance of managing supplier dependencies and maintaining resilience throughout third-party relationships. See the UK National Cyber Security Centre’s supply-chain security guidance and the ICO’s guidance on contracts and data protection.

QUESTION NO: 6

One of the characteristics of Big Data is velocity. Which of the following most accurately defines what this means?

A. The speed of data creation

B. The volume of the data

C. The different formats of data

D. The validity of data

ANSWER: A

Explanation:

The speed of data creation is correct because velocity describes the rate at which data is generated, collected, transmitted and, often, needs to be processed. Digital activities can produce continuous, fast-moving data streams: for example, online transactions, website clickstreams, connected-device readings and social-media posts. In a management-finance context, high velocity matters because information may lose much of its decision-making value if it cannot be captured and analysed quickly enough. A business monitoring sales demand, payment activity or operational performance may therefore need systems capable of handling data in near real time, allowing managers to identify emerging patterns and respond promptly. Velocity is commonly presented as one of the core characteristics, or “Vs”, used to describe big data. IBM describes velocity as the speed at which data is generated and processed, while SAS similarly highlights the rapid generation and movement of data that organisations must manage. These definitions support interpreting velocity primarily as speed, rather than as an attribute concerning quantity, structure or data quality. See IBM’s overview of big data and SAS’s explanation of big data characteristics.

QUESTION NO: 7

T Company has recently appointed J as Chief Data Officer

One of the responsibilities of the appointment is to ensure compliance with the General Data Protection Regulations (GDPR) in force in the jurisdiction

J's first action was to carry out an internal audit of GDPR compliance

Which THREE of the following audit findings are indicators that T Company is compliant with GDPR"

A. Customers are given the option of unsubscribing from marketing emails

B. Customer data is deleted when no longer required.

C. Personal data is kept on a secure server, protected by a firewall

D. Most of the staff were fully aware of their data protection responsibilities.

E. 98% of customer records were found to be accurate and up to date.

ANSWER: B C E

Explanation:

“Customer data is deleted when no longer required.” demonstrates compliance with the storage-limitation principle. Personal data must not be retained in identifiable form for longer than is necessary for the purposes for which it is processed. A documented retention schedule and secure deletion procedures provide practical evidence that this principle is being applied.

“Personal data is kept on a secure server, protected by a firewall” supports the integrity-and-confidentiality principle. GDPR requires controllers and processors to implement appropriate technical and organisational measures to protect personal data against unauthorised or unlawful processing and against accidental loss, destruction or damage. Secure infrastructure and network controls are relevant safeguards, subject to their being proportionate to the risks involved.

“98% of customer records were found to be accurate and up to date.” is an indicator of compliance with the accuracy principle. Organisations must take reasonable steps to ensure personal data is accurate and, where necessary, kept up to date, including rectifying or erasing inaccurate data without delay. Audit results showing a high level of record accuracy provide evidence of effective data-quality controls. These requirements are set out in Article 5 GDPR and explained in the ICO guidance on data-protection principles: GDPR Article 5 and ICO guide to the data protection principles.

QUESTION NO: 8

A retailer is reviewing its online sales process after receiving complaints that customers are sent incorrect items.

Which TWO of the following actions would help to reduce errors in the order fulfilment process?

A. Using barcode scanning when items are picked

B. Recording the reason for each fulfilment error

C. Removing order checks before dispatch

D. Increasing the number of customer complaints

ANSWER: A B

Explanation:

Using barcode scanning when items are picked would help reduce errors because the item selected from the warehouse can be checked automatically against the order record. The system can alert the picker where the scanned product does not match the item requested by the customer.

Recording the reason for each fulfilment error is also appropriate. Accurate error data enables managers to identify recurring causes, such as unclear product locations, inaccurate inventory data, inadequate training or system-interface problems. The process can then be redesigned or controlled more effectively.

Both actions support quality management by preventing defects where possible and using evidence to improve the underlying process. Simply increasing the number of customer complaints would not prevent errors, while removing order checks would increase the risk of incorrect dispatches. See the American Society for Quality guidance on root cause analysis and ASQ guidance on process mapping.

QUESTION NO: 9

During the past six months NVT has been undergoing a study, as part of a rationalisation programme to review the profitability of each of its retail stores.

As a result, 30 stores have been identified for closure T with a further 50 stores selected to receive an investment of funds in order to remain profitable going forward. Throughout this process NVTs finance function has worked alongside others in the organisation providing advice and guidance.

Which TWO of the following areas has the finance function most likely been involved with as part of the review?

A. Project Appraisal

B. Management accounting

C. Taxation

D. Project Management

E. Financial planning and analysis

ANSWER: A E

Explanation:

Project Appraisal is involved because deciding whether to invest further funds in the 50 selected stores requires a structured assessment of the proposed investment. Finance professionals would help estimate relevant incremental cash flows, consider the timing of costs and benefits, assess risk and uncertainty, and apply suitable investment-appraisal measures such as net present value. This provides evidence on whether investment is expected to create value and supports a consistent allocation of scarce capital across the store portfolio.

Financial planning and analysis is also central to a profitability rationalisation programme. FP&A supports decision-making by analysing store-level revenues, costs, margins, forecasts, and performance trends. It can model the financial consequences of closures, including the impact on budgets, cash flow, profitability, and future plans, while also preparing scenarios for the stores receiving investment. Working alongside operational colleagues, FP&A turns commercial and operational assumptions into forward-looking financial insight, enabling management to make informed decisions and monitor whether the expected benefits are achieved. These activities align with the finance function’s role in supporting business partnering, planning, performance analysis, and value-focused decisions. See the AICPA & CIMA finance function transformation resources and the CGMA Competency Framework.

QUESTION NO: 10

Which TWO of the following are the responsibility of the Chief Financial Officer (CFO) in achieving the desired organisational impact?

A. Generation of information and providing preliminary insight

B. Working with specialists to provide further insight to decision makers

C. Liaising effectively with internal and external stakeholders

D. Financial planning and analysis.

E. Launching key initiatives that support organisation goals

ANSWER: C E

Explanation:

The CFO's responsibility extends beyond stewardship of financial information to leading the finance function's contribution to organisational value and strategic delivery. **Liaising effectively with internal and external stakeholders** is central to this leadership role: the CFO must communicate the financial implications of strategy, maintain confidence among investors, lenders, regulators and other external parties, and ensure that senior internal decision makers receive an aligned financial perspective. This requires influence across the organisation rather than simply producing or analysing data.

Launching key initiatives that support organisation goals is also a CFO responsibility because the CFO helps translate the organisation's strategy into finance-led change, investment priorities, governance arrangements and measurable outcomes. A CFO provides direction for initiatives such as finance transformation, performance improvement, capital allocation or digital capability, ensuring they support the wider business strategy and deliver sustainable value. These responsibilities reflect the modern CFO's role as a strategic business leader and partner to the chief executive and board. See CIMA's overview of the finance professional's strategic role at AICPA & CIMA and the International Federation of Accountants' discussion of the CFO's value-creation role at IFAC.

QUESTION NO: 11

Karl runs a factory. He wants his employs to feel that their role in the company has meaning.

Which of the following would help to make his employees feel this way?

A. Ensure that all employees have a variety of jobs to do.

B. Ensure each task has a clear identity, with it being made clear how that task fits into the overall operation.

C. Ensure each task is significant in some way.

D. Ensure each employee has a degree of independence and flexibility.

E. Ensure employees can see the results of their work.

ANSWER: A B C

Explanation:

Employees experience their work as meaningful when they can use a range of skills, complete an identifiable whole piece of work, and understand that the work has a material impact on other people or on the organisation. These are the three psychological contributors to experienced meaningfulness in the Job Characteristics Model: skill variety, task identity and task significance.

"Ensure that all employees have a variety of jobs to do" promotes skill variety, so employees are not limited to a narrow, repetitive activity. "Ensure each task has a clear identity, with it being made clear how that task fits into the overall operation" creates task identity by helping employees see a recognisable piece of work and its connection to the factory's output. "Ensure each task is significant in some way" establishes task significance, linking work to worthwhile consequences for colleagues, customers, production quality or organisational performance. Together, these job-design features help Karl make roles intrinsically meaningful rather than merely assigning work for employees to complete. The model and its application to job design are described by OpenStax Organizational Behavior; CIMA's management-level learning framework also emphasises how organisational design and people management support performance, available from CIMA Study Hub.

QUESTION NO: 12

A duplication of support functions would exist under which of the following organisational structures?

A. Divisional

B. Functional

C. Matrix

D. Project based

ANSWER: A

Explanation:

Divisional is correct because a divisional structure organises the business into relatively self-contained units, commonly by product, customer group, geographical area, or market. Each division is accountable for managing its own activities and performance, and therefore typically needs access to support capabilities such as finance, human resources, marketing, information technology, procurement, and operations management.

Consequently, similar support roles and teams may be established within each separate division. For example, a company with consumer-products and industrial-products divisions could have finance staff, HR personnel, and marketing resources assigned to both divisions. This creates duplication of support functions across the organisation, although it can also make each division more responsive to the needs of its particular market and give divisional management greater control over resources. The arrangement is especially suited to organisations with diverse products or markets where divisions need considerable autonomy. CIMA's management-accounting syllabus considers how organisational structures affect accountability, performance management, and the way support services are provided. Further background on divisional organisational design is available from CIMA and OpenStax's organisational design guidance.

QUESTION NO: 13

A project team is developing a mobile application for customers.

Which TWO of the following are appropriate responsibilities of the project sponsor?

A. Providing senior-level support for the project

B. Approving major project decisions and resources

C. Completing all day-to-day project scheduling

D. Writing all application code

E. Performing each user acceptance test

ANSWER: A B

Explanation:

Providing senior-level support for the project is an appropriate sponsor responsibility. The sponsor promotes the project at a senior level, helps remove organisational barriers and ensures that the work continues to align with business objectives.

Approving major project decisions and resources is also appropriate. The sponsor normally has authority to approve the business case, significant changes in scope, major funding decisions and escalation of substantial risks. Day-to-day planning, coordination and monitoring are normally undertaken by the project manager, while technical build work is completed by the project team. The Project Management Institute discussion of project sponsorship explains the sponsor's role in governance and organisational support.

QUESTION NO: 14

Which of the following are associated with the mission of an organisation?

Select ALL that apply.

A. Purpose of the organisation

B. Strategy of the organisation

C. Culture of the organisation

D. Product marketing strategy of the organisation

E. Service level of the organisation

F. Staff perception of the organisation

ANSWER: A B C

Explanation:

An organisational mission articulates the organisation's fundamental purpose: why it exists, whom it seeks to serve, and the broad contribution it intends to make. Therefore, **Purpose of the organisation** is inherently associated with mission. A mission also provides an enduring frame for strategic choices. It guides the direction of the organisation and helps ensure that its strategy, priorities, and allocation of resources are consistent with the reason the organisation exists. Accordingly, **Strategy of the organisation** is associated with mission, even though strategy is normally more specific, actionable, and subject to more frequent revision than the mission itself.

Culture of the organisation is also associated with mission because a clearly communicated mission helps shape shared values, behaviours, decision-making norms, and employees' understanding of what matters. In turn, an established culture can support the mission by encouraging conduct consistent with the organisation's stated purpose. This relationship is especially relevant to managing finance in a digital world: finance professionals should assess whether investments, technology-enabled processes, performance measures, and governance choices support the organisation's mission and the culture needed to deliver it. Further background on the role of mission in strategic management is available from OpenStax Principles of Management and on organisational culture from CIPD.

QUESTION NO: 15

M is employed by an organisation that operates a chain of high street coffee shops. She has made a decision to purchase a failing cake shop in order to take it over and expand the presence of the organisation in the local area. According to Mintzberg, which part of the organisation does M belong to?

A. Strategic apex

B. Techno-structure

C. Middle line

D. Operating core

ANSWER: A

Explanation:

Strategic apex is correct because M is making a significant strategic decision: acquiring another business to extend the organisation's local market presence. In Mintzberg's organisational model, the strategic apex consists of the senior people who hold overall responsibility for organisational direction, performance and long-term survival. Their work includes setting strategy, allocating major resources, responding to the external environment and making consequential decisions such as acquisitions, expansion or market repositioning.

The proposed purchase is not a routine operational matter; it commits the coffee-shop chain to a new asset, creates financial exposure and affects its future competitive position in the area. It therefore requires the broad organisational perspective and authority associated with the strategic apex. Mintzberg's five-part structure identifies the strategic apex as the component responsible for ensuring that the organisation fulfils its mission and is managed in relation to its environment. This treatment of strategic leadership is consistent with the overview of Mintzberg's organisational configurations in Mind Tools' summary of Mintzberg's organisational configurations and the discussion of organisational design in OpenStax Organizational Behavior.

QUESTION NO: 16

Which of the following are advantages of outsourcing finance? Select ALL that apply.

A. Can help to keep costs down and improve quality.

B. There is a known fee if agreed in advance.

C. Allows the organisation ' s management to focus on its core operations and core issues.

D. Increased control.

E. Level of independence is increased.

F. The external organisation/individual has an increased understanding of the outsourcing business.

G. Increased confidentiality.

ANSWER: A B C

Explanation:

“Can help to keep costs down and improve quality” is an advantage because a specialist finance-service provider can apply established processes, dedicated systems, skilled staff and economies of scale. This can make routine finance activities—such as transaction processing, payroll or reporting—more efficient while supporting consistent service quality. “There is a known fee if agreed in advance” is also beneficial because a clearly defined contract can convert some uncertain internal operating costs into a predictable service charge. This assists budgeting, forecasting and cost control, provided that the scope, service levels and pricing assumptions are specified clearly. “Allows the organisation ' s management to focus on its core operations and core issues” is a central strategic rationale for outsourcing: transferring non-core or highly standardised finance activities can free management capacity to concentrate on decisions and activities that create the organisation’s distinctive value. CIMA’s professional qualification emphasises evaluating digital and operational choices in relation to value creation, performance and risk, rather than treating outsourcing as purely a cost decision. Effective outsourcing therefore combines specialist capability, transparent commercial terms and management focus with appropriate governance and contract management. See CIMA Professional Qualification and UK Government Outsourcing Playbook.

QUESTION NO: 17

More and more organisations are developing their supply chain networks by building closer links with suppliers. Which THREE of the following are considered to be features of this trend?

A. Early supplier involvement

B. In-house resolution of design problems

C. Computer systems linked to customers

D. Price and inventory co-ordination

E. Supplier representative on site

ANSWER: A D E

Explanation:

Early supplier involvement is a central feature of closer supply-chain relationships because it brings supplier knowledge, technical capability and practical manufacturing insight into product and process decisions at an early stage. This supports better design-for-manufacture, fewer later changes and more effective joint planning. A supplier representative on site similarly reflects an integrated relationship: direct access to supplier expertise speeds communication, helps resolve operational matters collaboratively and supports continuous improvement across organisational boundaries.

Price and inventory co-ordination is also characteristic of supply-chain integration. Rather than treating purchasing price and stock levels as isolated decisions, the buying organisation and supplier coordinate replenishment, demand information, inventory responsibilities and commercial arrangements. This can reduce total supply-chain cost, improve availability and limit unnecessary buffer inventory. These practices represent partnership-based supplier relationship management, in which organisations exchange relevant information and work towards shared operational objectives rather than merely conducting discrete transactions. CIPS describes supplier relationship management as a structured approach to developing and managing supplier relationships for value and performance: CIPS—Supplier relationships. Further supply-chain guidance on coordinated planning and replenishment is available from IBM—Supply chain management.

QUESTION NO: 18

Company P is a recruitment agency specialising in placing accountancy and legal personnel in employment. A large part of the role of the agency is to meet the prospective individuals in order to ensure they are placed in the most appropriate roles.

Which THREE elements of the marketing mix relate specifically to the type of business described, to a greater extent than would apply to a manufacturing company?

A. People

B. Processes

C. Physical evidence

D. Promotion

E. Price

F. Product

ANSWER: A B C

Explanation:

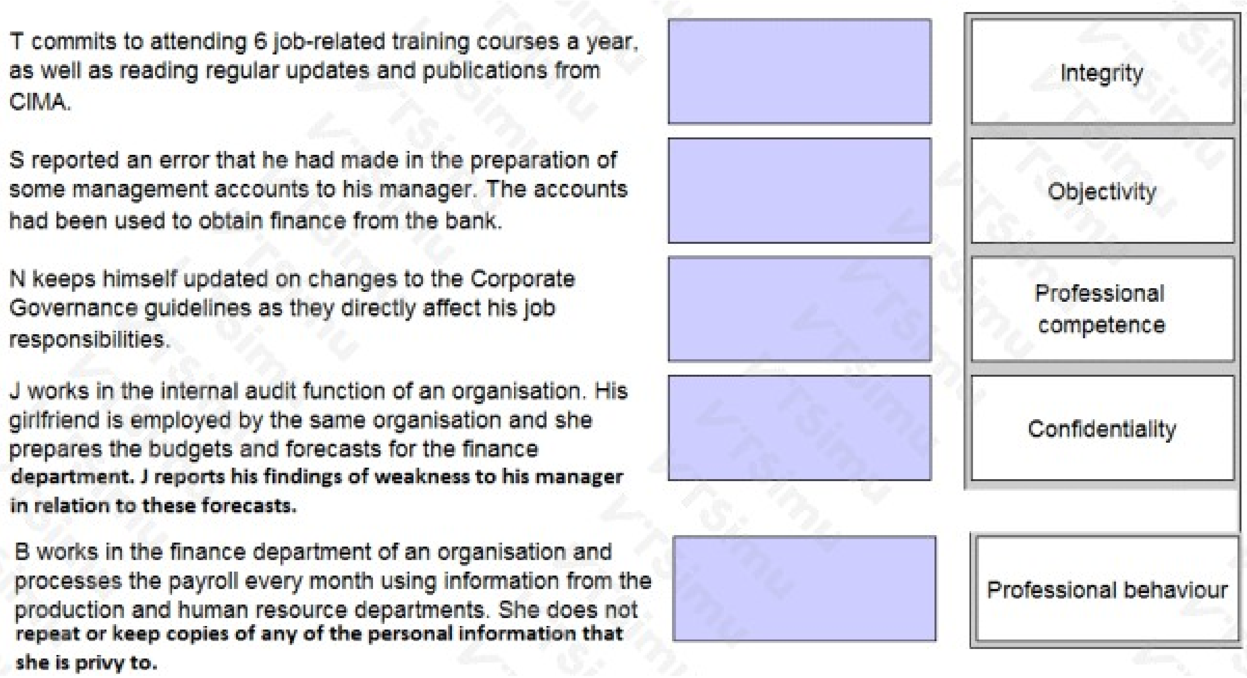
People, processes and physical evidence are the three additional service-marketing mix elements particularly important to a recruitment agency. Recruitment is a people-intensive professional service: consultants' expertise, interpersonal skills, judgement and ability to build trust directly affect both candidate experience and placement quality. The service is also substantially delivered through interactions between staff, candidates and client organisations, so the people element is central to what the customer receives.

Processes matter because recruitment involves a defined sequence of activities, including briefing, candidate sourcing, screening, interviewing, matching, communication, compliance checks and placement. Consistent, well-designed processes help the agency provide a reliable service while handling sensitive personal information and managing expectations across several parties.

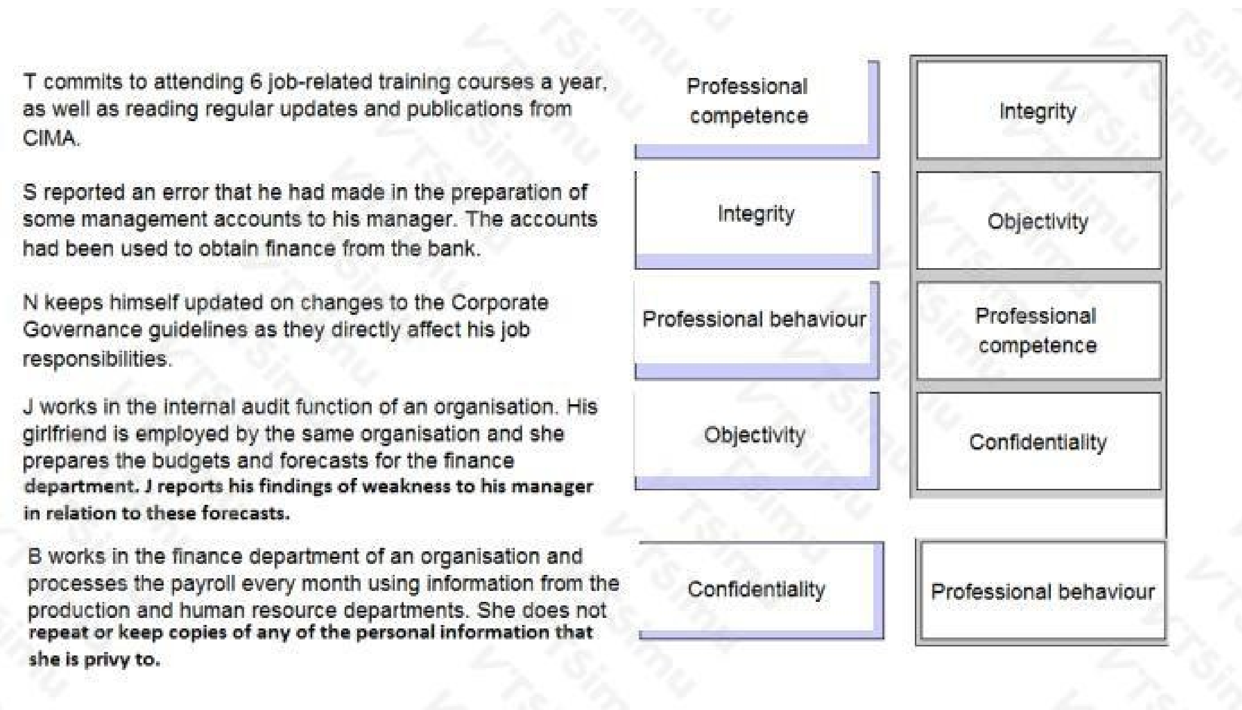
Physical evidence is relevant because recruitment is largely intangible: clients and candidates cannot inspect a placement service before buying it. They therefore use tangible signals to assess professionalism and quality, such as the agency's premises, website, consultant profiles, documentation, reports, branding and interview environment. These three elements extend the traditional product, price, place and promotion framework to reflect characteristics of services, particularly their intangibility and reliance on service delivery. See the Chartered Institute of Marketing's overview of the marketing mix at https://www.cim.co.uk/content-hub/editorials/the-marketing-mix-7-ps/ and CIMA's qualification information at https://www.aicpa-cima.com/resources/landing/cima-professional-qualification.

QUESTION NO: 19 - (DRAG DROP)

DnD1_0151-R2-D. Match each of the ethical principles with the correct brief scenario.



ANSWER:



Explanation:

The completed matching correctly applies the five fundamental ethical principles used by CIMA and the wider International Ethics Standards Board for Accountants framework. Professional competence is demonstrated through a commitment to relevant continuing learning: attending job-related courses and reading professional updates helps maintain the knowledge and skill needed to perform work competently and with appropriate care. This reflects the ongoing-development expectation within the profession.

Integrity is correctly shown by openly reporting an error in management accounts. Ethical integrity requires a finance professional to be straightforward and honest in professional relationships, including when a mistake has occurred and disclosure may be uncomfortable. The scenario involving regular updates on Corporate Governance requirements correctly reflects professional behaviour, because finance professionals must remain alert to applicable professional, legal and regulatory expectations and act in a way that sustains trust in the profession.

Objectivity is correctly linked to the internal-audit situation. An auditor must reach and communicate conclusions impartially, particularly where a personal connection could create a threat to unbiased judgement. Reporting identified control weaknesses to the appropriate manager supports an objective audit role. Confidentiality is correctly demonstrated by protecting payroll and human-resource information and not disclosing or retaining copies of personal data unnecessarily. This respects the duty to safeguard information acquired through professional work. CIMA's ethical framework and the global ethics code describe these fundamental principles and their role in maintaining public confidence; see AICPA & CIMA Code of Ethics and the IESBA International Code of Ethics.

QUESTION NO: 20

Which of the following is an example of a formal relationship in which two organisations legally contract to co-operate in defined ways to achieve specific commercial objectives?

A. Outsourcing

B. Strategic Alliance

C. Shared Service Centre

D. Merger

ANSWER: B

Explanation:

Strategic Alliance is correct because it describes a formal arrangement in which separate, independent organisations agree—often through a contractual agreement—to collaborate on defined commercial objectives. The parties may combine particular capabilities, such as technology, market access, distribution networks, expertise, or research resources, while remaining legally distinct businesses. The agreement normally specifies the alliance's purpose, the activities each party will perform, governance arrangements, allocation of costs and benefits, intellectual-property rights, performance measures, and how the relationship may end. This makes it an appropriate structure where organisations want the advantages of co-operation without creating a single combined entity.

Strategic alliances are a relevant organisational design and sourcing concept for finance professionals because they affect decision-making rights, risk sharing, contractual controls, performance monitoring, and the information required to manage relationships across organisational boundaries. The CIMA Professional Qualification syllabus includes consideration of how organisations interact with external parties and use alternative structures to deliver value in a changing business environment. More information on the qualification's business and organisational focus is available from AICPA & CIMA's Professional Qualification resources. A useful overview of strategic alliances and their contractual, collaborative nature is provided by Encyclopaedia Britannica.

QUESTION NO: 21

Which of the following best describes the 'passive stage' of purchasing?

A. Purchasing has no strategic direction

B. Purchasing is concentrated on price negotiation

C. Purchasing integrates latest practices and technology

D. Purchasing is independent of corporate strategy

ANSWER: A

Explanation:

"Purchasing has no strategic direction" correctly describes the passive stage of purchasing development. In the commonly used purchasing-function maturity model, the passive stage represents an early, largely administrative role for purchasing. The function primarily responds to internal requisitions and operational requirements as they arise, rather than proactively shaping sourcing decisions, supplier relationships, cost management, risk planning, or wider business performance. Its work is therefore transactional and reactive: obtaining the requested goods or services is the central concern, with limited forward planning and little involvement in senior management decisions.

This description is important in a CIMA context because finance and operational managers need to understand that procurement can develop from a clerical activity into a strategically significant function. At the passive stage, purchasing has not yet established a purposeful strategic contribution to organisational objectives. Recognising this position helps management identify the need for stronger processes, better information, supplier-management capability, and alignment with business planning. CIMA's E1 syllabus considers how digital developments and operational activities support organisational performance; see the CIMA Professional Qualification syllabus. Further professional procurement context is available from the Chartered Institute of Procurement & Supply knowledge resources.

QUESTION NO: 22

There are four types of quality cost - prevention, appraisal, internal and external failure. Which of the following provides theÂ bestÂ description for an external failure cost?

A. The cost to repair a machine that has broken down

B. The cost of training staff

C. The cost of inspecting finished goods

D. The cost of repairing products returned by customers

ANSWER: D

Explanation:

The cost of repairing products returned by customers is an external failure cost because the defect has been identified after the product has left the organisation and reached the customer. External failure costs arise when goods or services fail to meet requirements in use or after delivery. They commonly include warranty repairs, replacement products, handling returns, customer complaint processing, product recalls, compensation, and the loss of customer goodwill or future sales. In this case, a customer has received a defective product, returned it, and the organisation incurs a repair cost as a direct consequence of that failure in the external marketplace.

Using quality-cost categories helps management make informed decisions about the economics of quality. Tracking returned-product repair costs makes the financial impact of defects visible and can support investment in process improvements that prevent defects from reaching customers. This supports the broader management-accounting objective of linking operational quality performance to financial outcomes and customer value. The American Society for Quality describes external failure costs as costs resulting from defects found after the customer receives the product or service; see its Cost of Quality resource. Further quality-management guidance is available in the ISO 9000 quality management principles standard.

QUESTION NO: 23

The Finance Director has been asked to produce a cost saving plan for the organisation which is to come into effect immediately. His initial suggestion to enable quick savings is to cut the staff development and training budget by 50%. Before he publishes the plan he has asked you to review it and let him know what the effect of this may be in the short term.

Select ALL that apply.

A. Key staff may leave

B. Staff skill levels may reduce

C. There may be a loss of competitive advantage

D. Profit will increase

E. Recruitment may be more difficult

F. Staff motivation may reduce

ANSWER: D E F

Explanation:

Cutting the training and development budget creates an immediate reduction in expenditure. Provided that the reduced spend does not cause offsetting costs in the same period, this directly improves reported short-term profit, so *Profit will increase* is an expected immediate financial effect. However, employees commonly regard development opportunities as part of the total employment offer. Announcing a substantial cut can therefore quickly damage confidence in the organisation's commitment to its people, meaning that *Staff motivation may reduce*. It can also weaken the organisation's employee value proposition for people considering applying for roles, so *Recruitment may be more difficult*, even before the full operational consequences of reduced training emerge.

These effects reflect the finance professional's need to consider people, capability and organisational value alongside a direct cost saving. Development investment supports employee engagement and the ability to attract talent; it should therefore be assessed as more than a discretionary expense. The CIPD discusses learning and development as a strategic activity that supports organisational performance and employee development: CIPD Learning and Development factsheet. CIMA's professional qualification materials also emphasise how finance professionals support decision-making while considering wider business impacts: CIMA Professional Qualification.

QUESTION NO: 24 - (SIMULATION)

There are various roles within the finance and accounting function. A trainee accountant first joining the profession can take some time learning the different aspects of each before making a decision on specialising in any particular direction.

Below are different components of the finance function. Match these with the examples of responsibilities listed.

ANSWER: See the explanation for the answer

Explanation:

Match each responsibility to the finance-function component as follows:

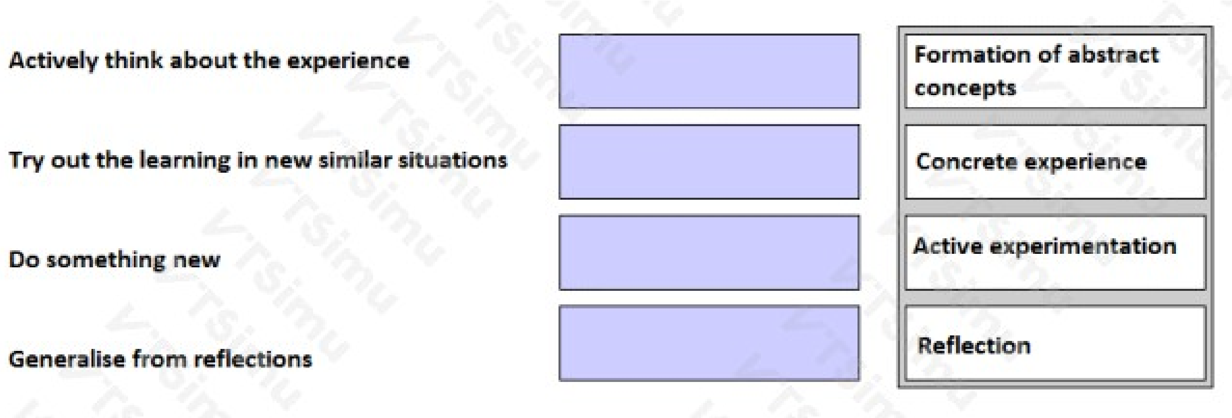
Financial accounting — preparing statutory financial statements and reporting financial performance/position to external users.
Management accounting — preparing budgets, forecasts, cost analyses and internal management information to support decisions.
Treasury — managing cash and liquidity, banking, borrowing/investment and financial risks such as foreign-exchange or interest-rate risk.
Tax — calculating, reporting and paying taxes, while advising on tax-efficient and compliant transactions.
Internal audit — independently reviewing internal controls, governance and risk-management processes, and recommending control improvements.
Financial management — evaluating investment and financing decisions and helping ensure that the organisation uses funds to create value.

Therefore, select the component whose core purpose corresponds to the responsibility: external reporting = financial accounting; internal planning/decision support = management accounting; cash/funding/risk = treasury; tax obligations = tax; controls assurance = internal audit; and investment/finance decisions = financial management.

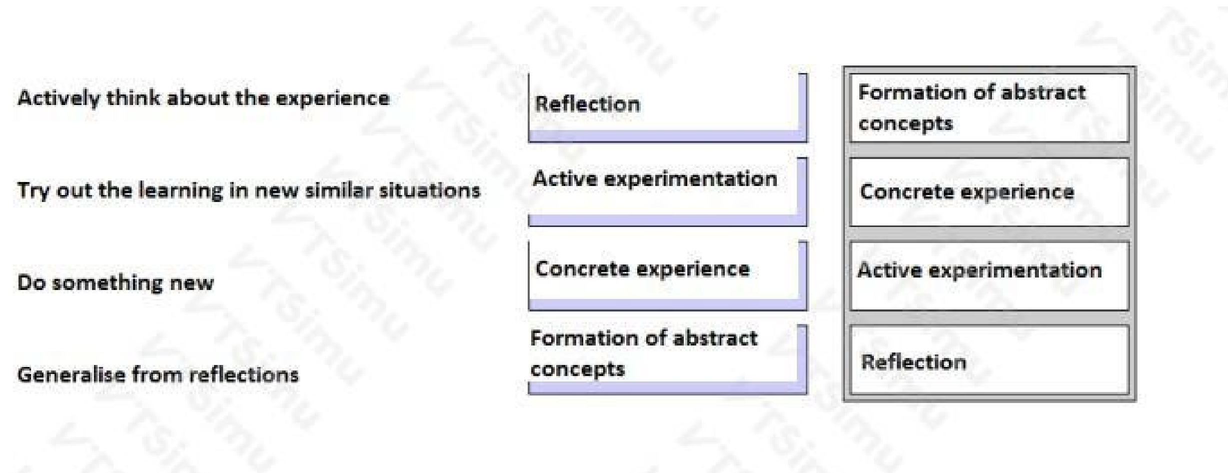
QUESTION NO: 25 - (DRAG DROP)

Kolb's learning cycle suggests that learning is a series of steps based on learning from experience.

Match the various stages of the cycle with the correct description.



ANSWER:



Explanation:

Kolb's experiential learning cycle describes learning as an ongoing process in which a person gains an experience, considers what happened, develops broader ideas from that consideration, and then tests those ideas in practice. The completed matches accurately represent the activities associated with each stage. Doing something new is the concrete experience: the learner takes part in an actual event or activity that provides the basis for learning. Actively thinking about the experience is reflection, where the learner reviews the event, notices outcomes, and considers what it means. Generalising from reflections is the formation of abstract concepts, because the learner turns observations into principles, explanations, models, or ideas that can guide future action. Trying out the learning in new similar situations is active experimentation, as the learner applies those concepts and sees how well they work in a practical setting. This makes the cycle continuous: the results of experimentation create further concrete experiences, which can then be reflected on and developed into improved understanding. In a management and finance context, this approach supports learning from workplace activity, such as reviewing the outcome of a new reporting process, identifying lessons, forming an improved approach, and testing it during the next reporting cycle. Kolb's model therefore connects practical action with thoughtful review and purposeful improvement. A useful overview of experiential learning and Kolb's cycle is available from Simply Psychology's explanation of Kolb's learning styles and experiential learning cycle. The four placements shown correctly align the descriptions with the relevant learning-cycle stages.

QUESTION NO: 26

E's manager is concerned about bullying in the organisation and has asked E to report on the situation.

As a result, E has carried out the following work;

• Collected data of the numbers of complaints made

• Produced a bar chart based on incidences in different departments

• Interviewed a sample of employees

• Calculated the cost of employees being away from work sick due to bullying

Which of the pieces of work that E has carried out is qualitative analysis?

A. Producing a bar chart of incidences.

B. Interviewing a sample of employees.

C. Calculating a financial cost

D. Collecting data of complaints

ANSWER: B

Explanation:

Interviewing a sample of employees. is qualitative analysis because interviews obtain descriptive, non-numerical evidence about employees' experiences, perceptions and accounts of bullying. This can reveal the nature of behaviours experienced, the circumstances in which they occur, their perceived effects, whether employees feel able to report concerns, and themes in organisational culture. Such contextual insight is particularly valuable when assessing a sensitive workplace issue, since it helps management understand not merely the extent of a problem but what it means for affected people and what may be contributing to it.

Qualitative data may be captured through interview notes, transcripts, open-ended responses and subsequently coded into recurring themes. The analysis should be conducted sensitively, protecting confidentiality and handling personal data appropriately. In a management report, these findings can provide a richer evidence base for recommendations on prevention, reporting processes, support and organisational culture. This distinction between qualitative insight and numerical measurement is consistent with the analytical and decision-support capabilities expected in CIMA's digital-finance context. See the CIMA Professional Qualification and the UK Government's guidance on qualitative and quantitative evaluation evidence.

QUESTION NO: 27

Which of the following are types of connected stakeholders? Select ALL that apply.

A. Customers

B. Shareholders

C. Banks

D. Suppliers

E. Managers

F. Employees

G. Board members

ANSWER: A B C D

Explanation:

Connected stakeholders are external parties with a direct commercial, contractual, financial, or ownership relationship with an organisation. **Customers** are connected because they buy the organisation's products or services and their demand, satisfaction, payment behaviour, and retention directly affect revenue and cash flow. **Shareholders** are connected through their ownership interest: they provide equity capital, hold voting rights, and expect returns and appropriate stewardship. **Banks** are connected stakeholders because they may provide loans, overdrafts, payment facilities, or other finance; their relationship with the organisation is governed by lending terms, repayment obligations, and financial-risk considerations. **Suppliers** are connected through purchasing and supply-chain arrangements, since the organisation depends on them for goods, services, quality, continuity of supply, and credit terms.

This classification is useful to finance professionals because connected stakeholders can directly influence operating performance, funding, liquidity, governance expectations, and the organisation's ability to create value. Identifying their needs and relative power supports effective stakeholder management and informed decision-making, consistent with the broad business and finance capabilities developed in the CIMA Professional Qualification. See the CIMA Professional Qualification overview and the ACCA stakeholder analysis guidance.

QUESTION NO: 28

There are several inter-related activities thought critical in implementing internal marketing. Which THREE are valid?

A. Internal customer segmentation

B. Competitor analysis

C. Internal communications

D. Advertising

E. Social media

F. Regular customer surveys

ANSWER: A C E

Explanation:

Internal marketing treats employees and other internal stakeholders as an internal market whose understanding, commitment and behaviour are essential to delivering the organisation's customer proposition. **Internal customer segmentation** is therefore valid because different employee groups, functions and levels of responsibility may have different information needs, motivations and roles in delivering value. Segmenting these groups enables messages and engagement activity to be relevant rather than generic.

Internal communications is also fundamental. It provides a continuing two-way mechanism for communicating organisational purpose, customer promises, change priorities and expected behaviours, while allowing feedback from the people responsible for operational delivery. This alignment is especially important where digital change affects processes, data and customer interactions.

Social media is a valid internal-marketing activity when used through appropriate internal social or collaboration channels. It can support dialogue, knowledge sharing, peer advocacy and rapid distribution of relevant messages across teams. Used together, segmentation, communication and social channels help build employee understanding and engagement rather than treating internal marketing as a one-off announcement. This supports the E1 emphasis on managing people, organisational change and digital ways of working. See the CGMA Competency Framework and the CIPD guidance on employee communication.

QUESTION NO: 29

M works for an organisation that adopts the principle of a total reward package for high achieving employees. The organsiation recognises that there are more things to motivate staff than cash remuneration alone. M is striving for promotion and has been promised a company car and prominent car parking space at the front of the office if he achieves it. Which of Maslow's needs is being identified in the scenario above?

A. Ego

B. Self-fulfillment

C. Safety

D. Social

ANSWER: A

Explanation:

Ego is correct because the promised benefits are intended to signal M's achievement, status and recognition within the organisation. In Maslow's hierarchy, ego needs—also commonly termed esteem needs—include the desire for achievement, prestige, respect, recognition, confidence and an enhanced sense of personal worth. Promotion itself is a visible acknowledgement of performance, while a company car and a prominent parking space are status symbols that make this recognition apparent both to M and to colleagues. These non-cash rewards therefore form part of a total reward approach: they can motivate high-performing employees by meeting psychological needs associated with esteem, rather than merely increasing financial income. The scenario particularly emphasises M's ambition to progress and the organisational recognition attached to that progression, which makes ego the most precise classification. Maslow originally described esteem needs as involving the wish for strength, achievement, adequacy, mastery, competence, and reputation or appreciation from others. This supports treating rewards that convey standing and professional recognition as ego-related motivators. See Maslow's original work, A Theory of Human Motivation, and the overview of Maslow's hierarchy of needs.

QUESTION NO: 30

XBY has recently started making use of big data analytics to assist in producing market predictions It is using software to process large data sets by utilising multiple servers simultaneously.

Which of the following best describes the term for this software?

A. External

B. Visualisation

C. Hadoop

D. Remote

ANSWER: C

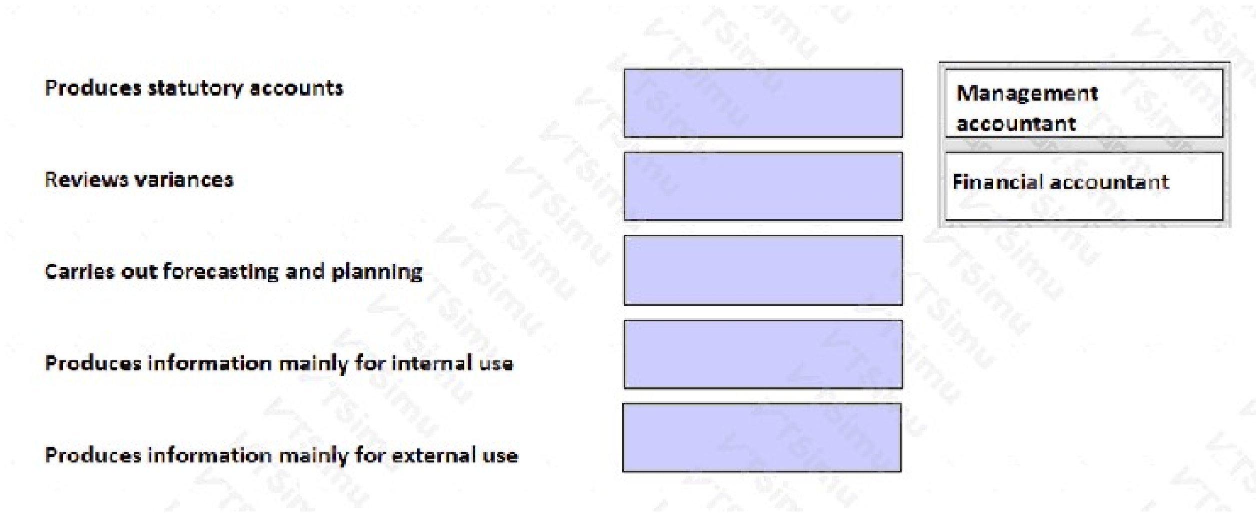
Explanation:

Hadoop is correct because it is an open-source framework designed to store and process very large data sets across clusters of computers. Rather than relying on one powerful server, Hadoop distributes both data and processing work among multiple servers, enabling parallel processing. This makes it well suited to big-data analytics, where organisations may need to analyse high volumes, high varieties and rapidly generated data to identify trends and support activities such as market prediction.

Hadoop's distributed processing capability is principally associated with its MapReduce model, which divides a large computational task into smaller parts that can be executed across machines in a cluster, before combining the results. Its Hadoop Distributed File System also supports distributed storage and resilience by spreading data across the cluster. These characteristics match the scenario's specific description of software that processes large data sets using multiple servers simultaneously. Apache's official project documentation describes Hadoop as a framework that allows distributed processing of large data sets across clusters of computers: Apache Hadoop. Further technical detail on the distributed file system is available in the HDFS architecture guide.

QUESTION NO: 31 - (SIMULATION)

Place 'Management accountant' or 'Financial accounant' next to each of the following statements according to which applies.



ANSWER: See the explanation for the answer

Explanation:

Place the labels as follows, from top to bottom:

Financial accounting is primarily concerned with statutory reporting for external stakeholders, whereas management accounting supports internal decision-making, planning, and performance control such as variance analysis.

QUESTION NO: 32

GBX has been receiving adverse customer feedback regarding late deliveries. As a result, it has decided to review its delivery logistics systems and related performance indicators.

The management team are discussing the introduction of a Key Performance Indicator (KPI) which allows a maximum of three hours to deliver a customer order

Which of the following SMART criteria is unlikely to apply to this KPI?

A. Relevant

B. Time-bound

C. Specific

D. Measurable

E. Achievable

ANSWER: E

Explanation:

Achievable is the SMART criterion that is unlikely to apply based on the information given. A three-hour maximum delivery time defines a proposed performance threshold, but the scenario provides no operational evidence that GBX can realistically meet it. For a target to be achievable, management should assess practical capability, including delivery routes, fleet or courier capacity, order volumes, warehouse processing time, geographic coverage, traffic conditions, and the resources required to make the target attainable consistently. A target may be ambitious and still be useful, but it should be supported by baseline delivery-performance data and a credible plan for addressing any capability gap. For example, GBX could first establish its current average and maximum delivery times, then test whether process redesign, scheduling changes, additional capacity, or technology investment would enable the proposed standard. This distinction matters because an unachievable KPI can create misleading performance reporting and inappropriate pressure rather than supporting better customer service. CIMA's professional qualification emphasises using relevant performance information to support management decisions and organisational performance; see the CIMA Professional Qualification. Further guidance on setting measurable and attainable goals is available from Mind Tools' SMART goals guide.

QUESTION NO: 33

Company A works closely with its customers, suppliers and other business partners. It securely shares part of its private network with this group of stakeholders

Which of the following best describes the type of network that Company A operates?

A. An internet

B. An intranet

C. An extranet

D. A database

ANSWER: C

Explanation:

An extranet is correct because it extends controlled access to selected parts of an organisation's internal network or digital resources to authorised external parties, such as customers, suppliers and business partners. Company A is not making its private network publicly available; rather, it is securely sharing a defined portion with a specific stakeholder group. This is the core use case for an extranet. In practice, an extranet commonly uses internet technologies together with authentication, role-based permissions and encryption so that each external user can access only the information, systems or services relevant to their business relationship. For example, suppliers may view purchase orders and inventory requirements, while customers may check order status or access support materials. This arrangement supports closer collaboration across the value chain while retaining organisational control over confidential information and operational systems. The distinction is important in a digital-business context: an extranet enables inter-organisational information sharing without granting unrestricted access to internal resources. IBM describes an extranet as a controlled private network that enables authorised external users to access part of an organisation's information or services: IBM: What is an extranet?. Cisco also explains how secure remote and partner access relies on identity verification and access controls: Cisco: Network access control.

QUESTION NO: 34

Human Resource Management (HRM) and Personnel are different.

Which of the following is NOT a characteristic of Human Resource Management (HRM)?

A. HRM relies on a modern, transactional approach.

B. HRM addresses both operational and strategic matters.

C. HRM focuses on facilitation rather than negotiation.

D. HRM views employees as assets.

ANSWER: A

Explanation:

"HRM relies on a modern, transactional approach." is the statement that is not a characteristic of HRM. Although HRM is a modern approach to managing people, its defining orientation is not merely transactional. A transactional approach concentrates on administering the employment relationship through discrete activities and exchanges, such as contracts, pay, records, procedures and compliance. These activities remain necessary within any organisation, but they do not describe the central strategic purpose of HRM.

HRM treats people management as an integrated business responsibility that supports organisational capability, performance and long-term value creation. It links workforce planning, development, engagement and the management of employee contribution to the organisation's wider strategy. This is particularly relevant to CIMA's emphasis on managing organisational resources and people in changing business environments. Therefore, describing HRM principally as "transactional" misstates its broader, strategic and value-focused nature.

The distinction is consistent with CIMA's coverage of people management within the E1 syllabus and with the CIPD's explanation of strategic human resource management: [CIMA Professional Qualification syllabus] and [CIPD strategic HRM factsheet].

QUESTION NO: 35

Mitch owns a small furniture business, which he is keen to grow.

Which of the following would MOST benefit the growth of Mitch's business:

A. Forming an alliance with a local supplier.

B. Becoming a shamrock organisation.

C. Becoming a network organisation.

D. Outsourcing all complementary and residual competencies.

E. Reducing the price of all products by a third.

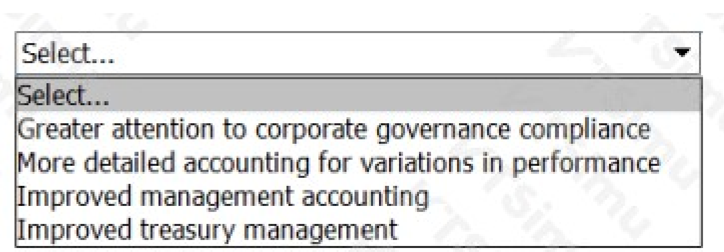
ANSWER: A

Explanation:

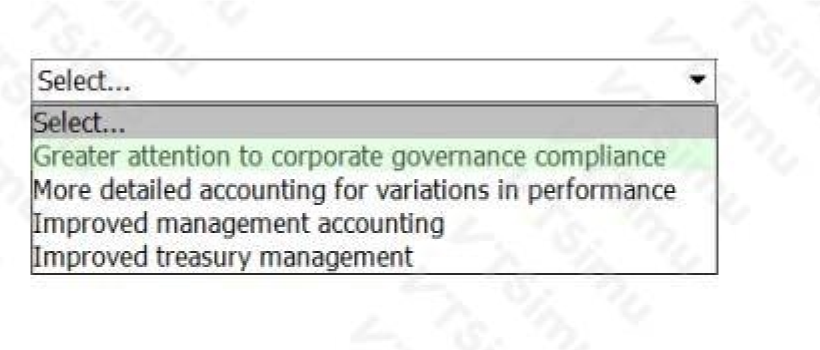
Forming an alliance with a local supplier is the most beneficial action because a furniture business depends heavily on dependable access to materials and components. A collaborative supplier relationship can improve continuity of supply, delivery responsiveness, quality consistency and information sharing. These operational benefits allow Mitch to meet customer orders more reliably, reduce delays and rework, and protect the reputation needed to win repeat business as the firm expands. A local relationship can also shorten lead times and make it easier to coordinate changes to designs, stock requirements or customer-specific orders. Rather than treating procurement as a sequence of isolated transactions, an alliance enables both businesses to plan demand and solve problems jointly, potentially creating better value for each party. This supports sustainable growth because the business can increase sales while maintaining the service and product quality on which its customer relationships depend. The CGMA Global Management Accounting Principles emphasise that organisations create value through understanding and managing relationships, resources and operational performance. Guidance on developing supplier relationships is also available from the Chartered Institute of Procurement & Supply. See [CGMA Global Management Accounting Principles] and [CIPS supplier-relationship resources].

QUESTION NO: 36 - (HOTSPOT)

Following scandals such as Enron and legislation such as Sarbannes-Oxley in the US, the emphasis of the finance function of many entities has changed. This has led to which of the following?



ANSWER:



Explanation:

The correct response is “Greater attention to corporate governance compliance.” Major corporate failures, particularly Enron, exposed serious weaknesses in oversight, reporting integrity, internal controls, auditor independence, and the accountability of senior management. In response, the Sarbanes-Oxley Act strengthened expectations that organisations should have effective governance arrangements and robust controls over financial reporting. It also made senior executives more directly accountable for the quality and reliability of published financial information.

As a result, the finance function’s role expanded beyond preparing accounts and managing routine financial processes. Finance professionals became central to designing, documenting, monitoring, and evidencing internal controls; supporting audit activity; assessing reporting risks; maintaining appropriate records; and ensuring that governance policies are followed in practice. Compliance is not simply a legal exercise: it helps provide investors, boards, regulators, and other stakeholders with confidence that financial information is dependable and that management is properly accountable.

This emphasis is reflected in the Sarbanes-Oxley framework, especially the requirements around management responsibility for internal control over financial reporting. The US Securities and Exchange Commission’s Sarbanes-Oxley resources explain the Act’s focus on corporate responsibility, disclosures, and audit-related requirements. Similarly, the PCAOB’s standard on audits of internal control over financial reporting demonstrates the continuing importance of controls and governance in producing reliable financial statements. Consequently, stronger corporate governance compliance is the key change prompted by these scandals and the subsequent legislation.

QUESTION NO: 37

Which of the following statements regarding Just-In-Time (JIT) are true?

1:The main aim of JIT it to ensure a business has a sufficient amount of leftover stock, just in case it ' s needed further down the line.

2:Although the benefits of JIT are many, its use can end up harming supplier relations.

3:JIT generally results in lower costs for the business using it.

A. 3

B. 1

C. 2

D. 1 + 2

E. 2 + 3

F. 1 + 3

G. 1 + 2 + 3

ANSWER: E

Explanation:

2 + 3 is correct. Just-In-Time (JIT) is an inventory-management and production approach in which materials and components are delivered or produced close to the time they are required. By reducing inventory held in stores or warehouses, a business will generally reduce costs associated with storage space, insurance, handling, deterioration, obsolescence, and the finance tied up in working capital. These operational efficiencies are why JIT can contribute to lower overall business costs when it is implemented effectively.

JIT also makes the business substantially more dependent on reliable suppliers and tightly coordinated delivery schedules. Suppliers may be expected to make smaller and more frequent deliveries, meet exact quality requirements, share production information, and respond quickly to changes in demand. These requirements can create pressure, particularly where suppliers must absorb additional transport, administration, or capacity costs. Consequently, unless the arrangement is managed collaboratively and fairly, JIT can harm supplier relations. Effective JIT therefore requires careful supplier selection, communication, and long-term coordination. See Investopedia's overview of JIT and AccountingTools' JIT inventory-management guidance.

QUESTION NO: 38

Which TWO of the following are non-incorporated organisations?

A. K, who runs a business alone and is entitled to all profits

B. P and Q who share joint responsibility for their business and all its debts

C. MN, a family-owned business sharing profits by means of dividends

D. XY, an organisation whose owners can trade their shares publicly

E. The British Red Cross Society, a well known charity

ANSWER: A B

Explanation:

A non-incorporated organisation does not have a legal identity separate from the individual or individuals who own and operate it. A person running a business alone and entitled to all its profits is a sole trader. The business and the proprietor are legally the same person, so this is an unincorporated form of business. HM Revenue & Customs describes a sole trader as someone who is self-employed and runs their business as an individual: https://www.gov.uk/working-for-yourself.

Where P and Q jointly operate a business and share responsibility for its debts, they are operating as a partnership. An ordinary partnership is likewise unincorporated: the partners carry on the business together and are personally responsible for its obligations. This is consistent with the Partnership Act 1890, which defines partnership as the relationship between persons carrying on a business in common with a view to profit: https://www.legislation.gov.uk/ukpga/Vict/53-54/39/section/1. Therefore, both the sole trader description and the jointly responsible business owners describe non-incorporated organisations.