CIMA E1 Managing Finance in a Digital World

Mock exam: 60 questions in 90 minutes, with an answer key and explanations

How to use this mock

- Set a timer for **90 minutes** and answer every question without notes. Write your answers in the grid on the next page.
- Mark your answers using the answer key, then read the explanation for every question you got wrong or guessed.
- The questions cover every section of the syllabus, in proportion to the GoQualified question bank for E1.
- Prefer to sit it on screen? The **Exam Sim** on **goqualified.co.uk/cima/e1/** times you, marks the paper and shows your weakest section.
- All questions are original GoQualified practice questions, not past exam questions.

Free from GoQualified. Questions start on page 3; the answer key and explanations follow them. Download the latest version from goqualified.co.uk/cima/e1/.

Your answers

1 _____	13 _____	25 _____	37 _____	49 _____
2 _____	14 _____	26 _____	38 _____	50 _____
3 _____	15 _____	27 _____	39 _____	51 _____
4 _____	16 _____	28 _____	40 _____	52 _____
5 _____	17 _____	29 _____	41 _____	53 _____
6 _____	18 _____	30 _____	42 _____	54 _____
7 _____	19 _____	31 _____	43 _____	55 _____
8 _____	20 _____	32 _____	44 _____	56 _____
9 _____	21 _____	33 _____	45 _____	57 _____
10 _____	22 _____	34 _____	46 _____	58 _____
11 _____	23 _____	35 _____	47 _____	59 _____
12 _____	24 _____	36 _____	48 _____	60 _____

Questions

Question 1

When the finance function acts as a 'business partner', it is best described as:

A Replacing operational managers with finance staff across departments
B Performing only bookkeeping and transaction processing
C Providing financial expertise and insight to help the business make better decisions
D Auditing the personal performance of the chief executive officer specifically

Question 2

The finance function plays a key role in corporate governance primarily by:

A Setting the salary of every single employee across the organisation
B Controlling all hiring and redundancy decisions company-wide
C Deciding which products the company should manufacture
D Providing reliable financial information, controls and accountability to stakeholders

Question 3

In a large organisation, the chief financial officer (CFO) is primarily responsible for:

A Managing the organisation's daily production schedule directly
B Overseeing financial strategy, reporting, risk management and the overall finance function
C Setting the organisation's advertising and marketing strategy alone
D Recruiting all non-finance staff across the business

Question 4

Which of the following best describes the finance function's role in enterprise risk management?

A Finance has no role in risk management — that is the job of the risk department alone
B Finance is responsible only for insuring the organisation's physical assets
C Finance takes on full personal liability for all business risks
D Finance identifies, quantifies and helps manage financial risks, and supports assessment of all business risks

Question 5

The finance function is most commonly treated as which type of responsibility centre?

A A profit centre, because it generates revenue for the business
B A revenue centre, because it controls pricing decisions
C An investment centre, because it manages the organisation's capital expenditure
D A cost centre — incurs costs but doesn't directly generate revenue in the traditional sense

Question 6

In a typical organisation, which level of management receives the most detailed and frequent financial information?

A Front-line operational managers
B The board of directors
C External shareholders
D Government regulators

Question 7

The relationship between the finance function and the internal audit function is best described as:

A Finance prepares information and maintains controls; internal audit independently evaluates their adequacy
B Identical — they perform exactly the same work
C Internal audit is a sub-department of the finance function with no independence
D Finance reports to internal audit, which sets its agenda and work programme

Question 8

The CGMA Competency Framework describes the skills and knowledge expected of a finance professional across which broad areas?

A Only accounting and bookkeeping knowledge, nothing else
B Technical, business, people, leadership and digital skills, underpinned by ethics, integrity and professionalism
C Sales and marketing skills exclusively, with nothing further
D Legal and regulatory knowledge exclusively

Question 9

When designing performance measures for managers, which principle is most important to ensure the system motivates the right behaviours?

A Measures should be as numerous as possible to cover every eventuality
B Measures should be complex and difficult to understand
C Measures should focus exclusively on short-term financial outcomes
D Measures should link to what the manager can control and align with organisational objectives

Question 10

Financial control within the finance function refers to:

A Processes ensuring assets are safeguarded and financial records are accurate and complete
B Setting maximum prices to be charged for all company products
C Controlling the behaviour of all employees outside the finance department
D Preventing the organisation from making any capital investment

Question 11

The finance function manages working capital primarily by:

A Purchasing non-current assets on behalf of the whole business
B Monitoring the balance between receivables, payables and inventory to ensure sufficient cash
C Setting the exact interest rates that external lenders may charge
D Deciding exactly which customers to serve within each individual market segment

Question 12

A finance function supporting an organisation with operations in multiple countries faces additional complexity including:

A Foreign currency translation, transfer pricing and compliance with multiple local regulatory regimes
B Only needing to apply one set of accounting standards globally
C No need for internal audit as regulators in each country provide oversight
D Simpler cash management as there are multiple local banking relationships

Question 13

A finance team that accesses its accounting software and stores financial data on remote servers maintained by a third-party provider, accessible via the internet, is using:

A On-premise software
B A local area network
C Cloud computing
D A legacy system

Question 14

Ransomware is a type of cyberattack that:

A Encrypts an organisation's data and demands payment to restore access
B Tricks users into revealing their passwords via fake emails
C Overloads a server with traffic to take it offline
D Intercepts data passing between two parties on a network

Question 15

Software as a Service (SaaS) means that:

A The organisation writes its own accounting software entirely in-house
B The organisation installs software on its own servers and manages it internally
C Software licensed and delivered over the internet via subscription, without local installation needed
D The software is provided entirely free of charge by the government

Question 16

An Application Programming Interface (API) in the context of finance systems is best described as:

A Rules and protocols letting different software systems communicate and share data automatically
B A specific type of printer commonly used within finance departments
C A government regulatory body overseeing the financial technology sector
D A paper-based form used to request IT system changes

Question 17

The growth of e-commerce has affected the finance function primarily by:

A Eliminating the need for finance professionals within the business entirely
B Making all forms of financial reporting entirely redundant going forward
C Creating new demands for real-time processing, digital payments and analysis of online customer behaviour
D Requiring finance to manage physical retail shops

Question 18

The principle of 'least privilege' in cybersecurity means that:

A The organisation should invest as little as possible in IT security
B All users should have access to all systems to make collaboration easier
C Passwords should be as short and simple as possible
D Users should be granted only the minimum access needed to perform their specific job

Question 19

Which of the following statements about technology and data quality in finance is most accurate?

A Technology improves data quality via automated controls, but poor inputs still produce bad outputs
B Implementing new technology automatically guarantees data quality
C Using more technology always means the resulting data becomes less reliable
D Technology only improves data quality in manufacturing organisations

Question 20

'Fintech' refers to:

A A specific accounting software package sold by one particular vendor
B A government regulatory body overseeing financial markets
C Financial technology companies using tech to deliver financial services more efficiently
D A specific type of financial derivative instrument traded on exchanges

Question 21

Machine learning differs from traditional programmed computing because:

A Machine learning simply requires more expensive computing hardware
B Machine learning systems are programmed with explicit rules for every situation
C Machine learning can only be used for financial applications
D Machine learning improves performance automatically through experience and pattern recognition

Question 22

Natural language processing (NLP) is a branch of artificial intelligence that enables computers to:

A Understand, interpret and generate human language for practical applications
B Process payments in multiple currencies automatically
C Translate programming languages from one type to another
D Replace spreadsheets with spoken-word financial reports

Question 23

Automating a finance process that previously required 10 staff working full time would most likely result in:

A A reduction in manual effort, freeing staff for higher-value analytical work
B The same 10 staff continuing to do the same work as before
C Immediate redundancy of all 10 staff with no alternatives
D The automated process being less reliable than the manual one

Question 24

The rise of digital payment methods (such as real-time bank transfers, digital wallets and contactless payments) has affected the finance function by:

A Making all treasury and cash management roles redundant
B Completely eliminating the need for any bank reconciliations at all
C Creating faster settlement cycles and requiring more sophisticated cash management
D Removing the need for any financial controls over payments

Question 25

A company analyses its past sales data to identify trends and understand what has happened historically. This is an example of which type of analytics?

A Predictive analytics
B Prescriptive analytics
C Diagnostic analytics
D Descriptive analytics

Question 26

In the context of data governance and data security, 'data integrity' means that:

A Data is kept secret from all but authorised users
B Data is accurate, complete and unaltered from its intended state
C Data is available when needed by authorised users
D Data is stored in a single central repository

Question 27

Prescriptive analytics goes beyond predictive analytics by:

A Recommending specific actions to take to achieve a desired outcome
B Explaining why a historical event occurred
C Describing simply what happened in the past without further comment
D Simply visualising historical data in a more attractive format

Question 28

An organisation's customer emails, social media posts and call-centre recordings are examples of:

A Structured data stored neatly in rows and columns
B Financial data that should be recorded in the general ledger
C Data that is too small to analyse
D Unstructured data that does not fit into a predefined format

Question 29

A data lake differs from a data warehouse primarily in that:

A A data lake stores raw data in native format; a data warehouse stores structured data for specific reporting
B A data lake stores only financial data, while a data warehouse stores all data types
C A data lake is more expensive but less useful than a data warehouse
D A data warehouse can only ever be accessed by the finance department directly

Question 30

What is the key distinction between data privacy and data security?

A Data security protects against unauthorised access; data privacy concerns rights over personal data
B They are identical concepts with no meaningful difference
C Data privacy is only relevant to large companies; data security applies to all
D Data security is about physical protection of computers; data privacy is about encrypting data

Question 31

Information overload in a management reporting context occurs when:

A Managers receive too little information to make any decisions
B Managers receive more data than they can process, reducing decision quality
C Reports are formatted using far too many different colours
D All information is classified as confidential and withheld from managers

Question 32

A finance analyst wants to show how revenue has been distributed across five product categories as a proportion of the total. Which type of chart is most appropriate?

A A simple line chart
B A scatter plot diagram
C A pie or donut chart
D A Gantt chart display

Question 33

'Open data' refers to:

A Data that has been carelessly left unsecured and accessible to hackers
B Personal data that individuals can access about themselves under GDPR
C Data only ever available inside an organisation's own internal intranet
D Data made publicly available for anyone to access and use, typically from governments or research bodies

Question 34

Which of the following illustrates a data completeness problem in a finance context?

A A debtor report that excludes a significant customer because their invoices were not captured in the system
B A sales report that includes all sales for the month but uses the wrong currency
C A budget that was prepared using last year's figures as a starting point
D A management report that is delivered two days after the month end

Question 35

Which of the following is a preventive cybersecurity control rather than a detective one?

A A system log that records all user access activity
B Requiring strong passwords and multi-factor authentication
C An alert that notifies the IT team when an unusual pattern of data access is detected
D A security audit that identifies vulnerabilities after the fact

Question 36

Using advanced analytics to produce a rolling 12-month cash flow forecast that updates automatically as new data flows in from sales and procurement systems is an example of:

A Purely descriptive analytics looking only backward at history
B An unethical or inappropriate use of collected customer data
C A manual forecasting process that is slow and backward-looking
D Predictive analytics with automated data feeds, giving a more dynamic, current view

Question 37

A shared service centre (SSC) in the context of the finance function is:

A A shared physical room where different departments access one computer
B The head office of a multinational that directly controls all its subsidiaries
C A type of outsourcing arrangement where all finance work is transferred to an external provider
D A centralised unit providing standardised services like accounts payable and payroll to multiple business units

Question 38

How has the role of the management accountant evolved in response to digitalisation and automation?

A The role has become more focused on manual transaction processing
B The role has largely been made redundant by artificial intelligence
C The role now focuses exclusively on preparing statutory financial statements
D Greater emphasis on analysis, interpretation and business partnering as routine tasks automate

Question 39

Benchmarking the finance function means:

A Setting financial targets that employees must beat or face dismissal
B Ensuring the finance function always spends less than other departments
C Comparing finance's cost and quality metrics against other organisations or best practice
D Measuring how many staff the finance function employs relative to total headcount

Question 40

A company sets up its own finance operations centre in India, staffed and managed by the company itself. This is best described as:

A Domestic outsourcing
B Insourcing
C Offshore outsourcing
D Captive offshoring

Question 41

An 'agile' approach applied to the finance function involves:

A Using iterative, flexible processes and cross-functional collaboration to respond rapidly to change
B Abandoning all financial planning because conditions change too quickly
C Moving the entire finance team to a physically faster office location
D Replacing all annual budgets with monthly reports only

Question 42

Which combination of skills is increasingly valued in finance professionals as the function becomes more digital?

A Handwriting speed and physical paper-filing ability specifically
B Data analysis, communication and commercial acumen alongside technical accounting knowledge
C Deep knowledge of just one single specialised accounting standard
D Speed and accuracy of purely manual data entry tasks

Question 43

Which of the following is a risk associated with operating a shared service centre for finance?

A The SSC reduces costs, and cost reduction is always considered risky
B The SSC generates too much profit for the organisation
C Business units may feel less supported as finance becomes more remote from operations
D Finance work becomes noticeably more expensive and less standardised overall

Question 44

Which of the following finance processes is most suitable for automation using robotic process automation (RPA)?

A Negotiating the detailed terms of a significant company merger
B Exercising professional judgement on a complex accounting estimate
C Designing the organisation's overall financial strategy
D Processing high-volume, repetitive invoice matching against purchase orders

Question 45

The 'skills gap' in the finance function refers to:

A The gap between finance professionals' current skills and those needed digitally
B The physical distance between finance staff in different office locations
C The gap between the finance department's budget and its actual spending
D The difference in salary between junior and senior finance staff

Question 46

A target operating model (TOM) for the finance function describes:

A The specific financial targets set for each operating division
B The desired future state of finance structure and how it interacts with the business
C The operating costs that the finance function must not exceed
D The management accounts format that all finance teams must use

Question 47

The cost of the finance function as a percentage of revenue (finance function costs ÷ total organisational revenue) is used to measure:

A How profitable the finance function is as a standalone business
B How many finance staff have completed their CPD requirements
C The total debt of the organisation
D How efficiently the finance function is resourced relative to business scale

Question 48

When finance activities are outsourced, ongoing management of the outsourcing relationship requires the organisation to:

A Trust the provider completely and never review performance
B Monitor service levels and retain in-house capability to oversee the provider
C Hand over all responsibility and never review the contract
D Immediately bring all work back in-house if any minor issue arises

Question 49

Finance supports business performance management primarily by:

A Providing performance measures that help managers evaluate progress toward objectives
B Designing and marketing all of the organisation's various products
C Managing the organisation's entire IT infrastructure and systems
D Setting the prices that every external customer must pay

Question 50

How does the finance function typically interact with the operations (production) function of a business?

A Finance has no meaningful interaction with operations whatsoever
B Finance sets the production schedule and directly decides output volumes
C Finance provides cost data and reports helping operations control costs and improve efficiency
D Finance recruits and trains all of the production staff directly

Question 51

How does the finance function typically interact with the marketing function?

A Finance sets the marketing department's advertising copy
B Finance provides analysis like campaign ROI and profitability to support marketing decisions
C Finance replaces the marketing function in medium-sized companies
D Finance takes over management of the company's social media accounts

Question 52

The finance function interacts with supply chain and procurement by:

A Physically moving goods and materials between different warehouses
B Setting the transport routes and delivery schedules for logistics
C Designing the physical layout of warehouse storage racking
D Providing cost analysis and financial assessment of procurement decisions

Question 53

When the finance function reports to the board of directors, its reports should typically:

A Concise summary of financial performance, key risks and strategic info for board decisions
B Contain every detailed transaction processed during the period
C Replicate the management accounts prepared for operational managers
D Focus only on positive financial news to maintain board confidence

Question 54

Corporate social responsibility (CSR) is relevant to the finance function because:

A Finance professionals are required to donate to charity personally
B Finance measures and reports the financial impact of CSR, and ESG links increasingly to funding decisions
C CSR activities have no financial implications and can be ignored by finance
D Finance is responsible for setting the organisation's CSR strategy independently

Question 55

Finance can support organisational innovation by:

A Blocking all spending on new ideas to protect the current year budget
B Taking over the research and development function from scientists and engineers
C Providing financial analysis on innovation returns and helping prioritise projects
D Restricting innovation to activities that show a return within one month

Question 56

The finance function's involvement in employee pension schemes includes:

A Setting the investment strategy for pension assets without actuarial input
B Managing the day-to-day administration of all individual employee pension accounts
C Deciding which pension provider all employees must use
D Accounting for pension costs and liaising with actuaries and trustees on the scheme's position

Question 57

The Global Reporting Initiative (GRI) provides a framework that organisations use primarily for:

A Reporting on sustainability impacts — economic, environmental, social — to external stakeholders
B Calculating the organisation's corporation tax liability for the year
C Auditing the organisation's own internal financial controls directly
D Designing the organisation's entire annual budgeting process

Question 58

The finance function's role in dividend policy decisions is to:

A Set the dividend independently of the board and shareholders
B Provide analysis of reserves and cash flow to inform the board's dividend decision
C Prevent the company from paying any dividends to preserve cash
D Pay dividends directly to shareholders without board approval

Question 59

Under the Integrated Reporting (<IR>) framework, 'human capital' refers to:

A The total cash value of all employee contracts held
B The organisation's investments in machinery and equipment
C The people's competencies and motivations contributing to organisational success
D The current market value of the organisation's outstanding shares

Question 60

Finance contributes to the organisation's risk culture by:

A Encouraging all managers to take maximum financial risk to maximise returns
B Taking all risk decisions centrally without involving operational managers
C Preventing the organisation from taking any risks whatsoever
D Ensuring financial risk appetite is clearly defined, communicated and embedded in planning and decisions

Answer key

1 C	**13** C	**25** D	**37** D	**49** A
2 D	**14** A	**26** B	**38** D	**50** C
3 B	**15** C	**27** A	**39** C	**51** B
4 D	**16** A	**28** D	**40** D	**52** D
5 D	**17** C	**29** A	**41** A	**53** A
6 A	**18** D	**30** A	**42** B	**54** B
7 A	**19** A	**31** B	**43** C	**55** C
8 B	**20** C	**32** C	**44** D	**56** D
9 D	**21** D	**33** D	**45** A	**57** A
10 A	**22** A	**34** A	**46** B	**58** B
11 B	**23** A	**35** B	**47** D	**59** C
12 A	**24** C	**36** D	**48** B	**60** D

Score: count your correct answers out of 60. Then work through the explanations below.

Answers and explanations

Question 1: C Providing financial expertise and insight to help the business make better decisions

Business partnering means finance professionals work collaboratively alongside operational managers, providing analysis, challenge and insight to support strategic and operational decisions — rather than being confined to transaction processing or compliance. It does not mean replacing managers, acting as internal auditors of the CEO, or limiting finance to recording transactions. The shift to business partnering reflects a broader, more strategic role for finance.

Section A, Finance as a business partner · Ref A1 · e1003

Question 2: D Providing reliable financial information, controls and accountability to stakeholders

Finance supports good corporate governance by producing reliable financial reports, maintaining and reviewing internal controls, managing risk, and providing the information that enables boards and shareholders to hold management accountable. Remuneration, product decisions and human resource decisions are primarily the responsibility of other functions, though finance may support them with relevant financial analysis. Accountability through reliable reporting is finance's core governance contribution.

Section A, Governance role of finance · Ref A1 · e1004

Question 3: B Overseeing financial strategy, reporting, risk management and the overall finance function

The CFO is the most senior finance leader, responsible for financial strategy, capital structure, financial reporting, risk management, investor relations and the performance of the entire finance function. Day-to-day production, marketing strategy and general HR recruitment are managed by other functions, though the CFO may support those areas with financial analysis and challenge. The CFO's scope has expanded with digital transformation to encompass data strategy and technology investment as well.

Section A, Role of the CFO · Ref A1 · e1026

Question 4: D Finance identifies, quantifies and helps manage financial risks, and supports assessment of all business risks

Finance contributes to enterprise risk management by identifying and quantifying financial risks (credit risk, market risk, liquidity risk), providing the financial modelling that underpins risk assessment, and supporting the board and audit committee in overseeing the overall risk framework. Risk management involves collaboration across many functions; finance provides the financial dimension rather than owning all risk. Personal liability and physical asset insurance are separate matters.

Section A, Finance and risk management · Ref A1 · e1028

Question 5: D A cost centre — incurs costs but doesn't directly generate revenue in the traditional sense

Finance is typically structured as a cost centre — it incurs costs (staff, systems, professional fees) but does not directly generate external revenue. Its value lies in the quality of information, control and decision support it provides. A profit centre both generates revenue and incurs costs, an investment centre also controls assets and capital, and a revenue centre focuses on generating income. Some organisations measure the 'value add' of finance by comparing its cost against the decisions and savings it enables, but it remains structurally a cost centre.

Section A, Finance cost centre vs profit centre · Ref A1 · e1052

Question 6: A Front-line operational managers

Front-line operational managers need detailed, timely information about the costs and performance directly within their control — daily or weekly reports on outputs, variances and resource usage. The board receives summarised, strategic information less frequently (monthly or quarterly), external shareholders receive annual and half-year published reports, and regulators receive statutory submissions. The frequency and level of detail decreases as you move up the hierarchy, because senior decision makers need concise summaries, not granular operational data.

Section A, Management reporting hierarchy · Ref A1 · e1053

Question 7: A Finance prepares information and maintains controls; internal audit independently evaluates their adequacy

Finance is responsible for preparing financial information and implementing internal controls; internal audit is an independent assurance function that evaluates whether those controls are well-designed and working as intended. For internal audit to be effective, it must be independent of the activities it reviews — so internal audit should not report to the finance director in a way that compromises its independence. Internal audit typically reports to the audit committee. The two functions collaborate but play distinct roles in the overall governance framework.

Section A, Finance and internal audit · Ref A1 · e1077

Question 8: B Technical, business, people, leadership and digital skills, underpinned by ethics, integrity and professionalism

The CGMA Competency Framework (2019 edition) groups the capabilities expected of a finance professional into five knowledge areas: technical skills, business skills, people skills, leadership skills and digital skills, all underpinned by ethics, integrity and professionalism. Digital skills were added in the 2019 edition to reflect the effect of technology on finance roles. The framework is deliberately broad because modern finance professionals need to combine technical expertise with business acumen and interpersonal effectiveness, not just accounting knowledge.

Section A, CGMA competency framework · Ref A1 · e1078

Question 9: D Measures should link to what the manager can control and align with organisational objectives

Effective performance measures should be controllable — focusing on what the manager can actually influence — and aligned with the organisation's strategic objectives, so that improving individual performance contributes to overall goals. Too many measures create confusion and dilute focus; complex measures are difficult to act on; and a purely short-term financial focus can damage long-term value and lead to dysfunctional behaviour (such as cutting investment to hit a target). The best frameworks balance financial and non-financial, short and long-term measures.

Section A, Performance measurement design · Ref A1 · e1080

Question 10: A Processes ensuring assets are safeguarded and financial records are accurate and complete

Financial control encompasses the policies, procedures, system controls and organisational arrangements — such as authorisation limits, reconciliations, segregation of duties and access controls — that together ensure assets are protected, only authorised transactions are recorded, and the financial records give a true and fair view. It does not involve setting product prices, controlling non-finance employees generally, or blocking investment. Effective financial control is a prerequisite for reliable reporting and underpins the organisation's overall governance.

Section A, Financial control · Ref A1 · e1101

Question 11: B Monitoring the balance between receivables, payables and inventory to ensure sufficient cash

Working capital management ensures the organisation has sufficient liquidity by optimising the three main components: collecting receivables as quickly as possible, managing payables to preserve cash while maintaining supplier relationships, and holding the right level of inventory. Finance monitors working capital ratios (such as debtor days, creditor days and inventory days) and takes action when they deteriorate. Purchasing non-current assets is a capital investment decision, setting interest rates is a monetary policy matter, and customer selection is a commercial/marketing decision.

Section A, Finance and working capital · Ref A1 · e1102

Question 12: A Foreign currency translation, transfer pricing and compliance with multiple local regulatory regimes

International operations add significant complexity to finance: financial results in foreign currencies must be translated; inter-company transactions require transfer pricing policies that satisfy tax authorities in multiple jurisdictions; each country has its own tax, employment and reporting regulations; and managing cash across multiple banking relationships and currencies requires sophisticated treasury management. Using a single accounting standard is not possible in all countries, and local regulators supplement rather than replace internal audit. International finance complexity is a major driver of investment in finance systems and expertise.

Section A, Finance and international operations · Ref A1 · e1129

Question 13: C Cloud computing

Cloud computing delivers computing services — including software, storage and processing — over the internet via remote servers maintained by the provider, rather than on local hardware owned by the organisation. On-premise software runs on the organisation's own servers, a local area network connects devices within one location, and a legacy system is outdated software not necessarily related to how it is hosted. Cloud adoption has increased flexibility, reduced IT infrastructure costs and enabled access from anywhere.

Section B, Cloud computing · Ref B1 · e1007

Question 14: A Encrypts an organisation's data and demands payment to restore access

Ransomware is malicious software that encrypts files or entire systems, making them inaccessible, and demands a ransom (usually cryptocurrency) in exchange for the decryption key. It is distinct from phishing (which tricks users into revealing credentials), denial-of-service attacks (which overwhelm servers) and man-in-the-middle attacks (which intercept communications). Ransomware attacks can be extremely disruptive, particularly to finance systems where data continuity is critical.

Section B, Ransomware · Ref B1 · e1033

Question 15: C Software licensed and delivered over the internet via subscription, without local installation needed

SaaS delivers software applications over the internet — the provider hosts and maintains the application on its own infrastructure and users access it through a web browser, typically paying a monthly or annual subscription. This contrasts with on-premise software, which the organisation installs and manages on its own servers. SaaS has grown rapidly because it reduces upfront IT costs, simplifies updates and enables access from any location. Many modern finance applications (accounting systems, planning tools) are delivered as SaaS.

Section B, SaaS · Ref B1 · e1035

Question 16: A Rules and protocols letting different software systems communicate and share data automatically

An API defines how software applications can communicate — it is the interface that allows one system to send data to and receive data from another automatically, without manual intervention. In finance, APIs allow accounting systems, banking platforms, ERP systems and analytics tools to exchange data seamlessly, eliminating manual data re-entry and enabling real-time information flows. They are not hardware, regulatory bodies or administrative forms. Open banking, for example, uses APIs to allow third-party applications to access bank account data securely.

Section B, API integration · Ref B1 · e1081

Question 17: C Creating new demands for real-time processing, digital payments and analysis of online customer behaviour

E-commerce generates high volumes of digital transactions requiring fast, automated processing; creates new payment flows (digital wallets, card processing, buy-now-pay-later); and produces rich data on customer purchasing behaviour that finance can analyse. Finance must manage the revenue recognition, VAT and reconciliation challenges that e-commerce creates. E-commerce does not eliminate the need for finance, make reporting redundant, or create a need to manage physical stores. It does increase the pace and data intensity of finance work.

Section B, E-commerce and finance · Ref B1 · e1083

Question 18: D Users should be granted only the minimum access needed to perform their specific job

The principle of least privilege limits each user's access rights to only what is necessary for their role, minimising the potential damage if an account is compromised or an employee acts maliciously. Broad access rights create unnecessary risk — a finance clerk does not need access to HR records, and a purchasing officer does not need access to payroll. In finance systems, least-privilege access controls are an important internal control, complementing segregation of duties to prevent fraud and error.

Section B, Cybersecurity — access controls · Ref B1 · e1084

Question 19: A Technology improves data quality via automated controls, but poor inputs still produce bad outputs

Technology can significantly improve data quality by automating validation checks, enforcing data entry rules and reducing manual handling — but the principle of 'garbage in, garbage out' still applies. If underlying processes are flawed, data sources are unreliable or rules are badly designed, technology will process poor data faster without improving its quality. Data quality requires a combination of good process design, clear data ownership and appropriate technology. This is true across all sectors, not just manufacturing.

Section B, Technology and data quality · Ref B1 · e1085

Question 20: C Financial technology companies using tech to deliver financial services more efficiently

Fintech (financial technology) describes the use of technology to improve, automate or disrupt the delivery of financial services — encompassing innovations such as mobile payments, peer-to-peer lending, robo-advisers, cryptocurrency exchanges and open banking platforms. It includes both new entrant companies challenging traditional financial institutions and technology adopted by established firms. It is not a regulatory body, a specific software product, or a financial instrument. Fintech is reshaping banking, insurance and investment management, with significant implications for how organisations manage their finances.

Section B, Fintech · Ref B1 · e1107

Question 21: D Machine learning improves performance automatically through experience and pattern recognition

Traditional computing follows explicit rules written by programmers; machine learning systems instead learn patterns from large datasets and use those patterns to make predictions or decisions, improving as they are exposed to more data. This makes machine learning particularly powerful for tasks where rules are too complex to programme explicitly — such as detecting fraud patterns, forecasting demand or analysing unstructured text. Machine learning is not limited to finance and does not require special hardware. It is a subset of artificial intelligence.

Section B, Machine learning · Ref B1 · e1108

Question 22: A Understand, interpret and generate human language for practical applications

Natural language processing allows computers to analyse, understand and produce human language — enabling applications such as automated narrative in financial reports, chatbots that answer finance queries, sentiment analysis of management commentary, and contract analysis tools that extract key terms from legal documents. It is not specifically about multi-currency payments, programming language translation, or replacing spreadsheets with speech. NLP is increasingly used in finance to extract insight from unstructured text data.

Section B, Natural language processing · Ref B1 · e1109

Question 23: A A reduction in manual effort, freeing staff for higher-value analytical work

Automation typically reduces the time and cost of performing routine tasks, creating capacity that can be redeployed to higher-value work rather than necessarily resulting in redundancy. In practice, organisations often use the capacity freed by automation to improve the quality and scope of analysis, reduce backlogs or develop new reporting capabilities. Automation does not mean work continues unchanged, and well-implemented automation is generally more reliable than manual processing due to reduced human error. People, process and technology together drive the realised benefit.

Section B, Automation and efficiency · Ref B1 · e1133

Question 24: C Creating faster settlement cycles and requiring more sophisticated cash management

Digital payments accelerate settlement, often to real-time, and generate far higher volumes of individual transactions than traditional cheques or batch payments — requiring finance systems that can process, reconcile and report on them at speed. Faster payments also reduce float, changing cash management dynamics. Fraud monitoring becomes more critical as the speed of payment reduces the window to detect and stop fraudulent transactions. Treasury, reconciliation and financial controls remain important; digital payments change the tools and pace of those activities rather than eliminating them.

Section B, Digital payments · Ref B1 · e1135

Question 25: D Descriptive analytics

Descriptive analytics summarises historical data to answer 'what happened?' — for example, reporting on past sales by region or time period. Diagnostic analytics then explores 'why did it happen?', predictive analytics uses models to forecast 'what will happen?', and prescriptive analytics recommends 'what should we do?' Descriptive is the most widely used type and forms the foundation for more advanced forms of analysis.

Section C, Types of data analytics · Ref C1 · e1012

Question 26: B Data is accurate, complete and unaltered from its intended state

Data integrity means that data is accurate, consistent and has not been altered in an unauthorised or unexpected way — it is in the state it is intended to be. Keeping data secret is data confidentiality, ensuring availability when needed is data availability, and centralised storage is an architectural choice rather than a security property. The three classic pillars of information security are confidentiality, integrity and availability (the CIA triad).

Section C, Cybersecurity — data protection · Ref C1 · e1014

Question 27: A Recommending specific actions to take to achieve a desired outcome

Prescriptive analytics uses optimisation and simulation techniques to recommend the best course of action to achieve a goal, given predictions about the future and constraints on what is possible. It moves beyond predicting outcomes to advising on decisions — for example, recommending the optimal pricing strategy or inventory level. Descriptive analytics answers 'what happened?', diagnostic answers 'why?', predictive answers 'what will happen?', and prescriptive answers 'what should we do?' Prescriptive is the most sophisticated and actionable form.

Section C, Prescriptive analytics · Ref C1 · e1037

Question 28: D Unstructured data that does not fit into a predefined format

Unstructured data lacks a predefined format — emails, social media posts, audio recordings, images and documents are all unstructured, requiring specialist tools (such as natural language processing) to analyse. Structured data (such as rows in a database or spreadsheet) can be queried with standard tools. The growth of unstructured data is one driver of big data challenges, as traditional databases cannot easily manage it. Finance increasingly encounters unstructured data in areas such as contract management, supplier communications and customer feedback.

Section C, Structured vs unstructured data · Ref C1 · e1040

Question 29: A A data lake stores raw data in native format; a data warehouse stores structured data for specific reporting

A data lake holds large volumes of raw data in its original format from many diverse sources (structured, unstructured, semi-structured), allowing it to be processed later for a variety of purposes. A data warehouse stores data that has already been cleaned, transformed and structured to support specific reporting and analytics use cases. Neither is restricted to financial data, both have their place, and the choice depends on the organisation's analytics needs and capabilities. Data lakes offer flexibility; warehouses offer speed and reliability for known queries.

Section C, Data lake vs data warehouse · Ref C1 · e1061

Question 30: A Data security protects against unauthorised access; data privacy concerns rights over personal data

Data security focuses on technical and organisational measures to protect data from unauthorised access, theft or corruption (firewalls, encryption, access controls). Data privacy is about respecting individuals' rights — ensuring their personal data is collected only for legitimate purposes, used only as intended, and retained only as long as necessary, as embodied in regulations like GDPR. Both are important and overlap, but they address different dimensions: security prevents breaches, while privacy ensures appropriate use. Both apply to organisations of all sizes.

Section C, Data privacy vs data security · Ref C1 · e1089

Question 31: B Managers receive more data than they can process, reducing decision quality

Information overload happens when the volume of data presented to a decision maker exceeds their capacity to absorb and act on it, leading to confusion, delayed decisions or important signals being missed amid noise. More data is not always better — effective management reporting focuses on the key metrics most relevant to each manager's decisions. Good data visualisation, exception reporting and KPI selection all help combat overload. Withholding information or formatting choices are separate issues unrelated to overload.

Section C, Information overload · Ref C1 · e1090

Question 32: C A pie or donut chart

A pie or donut chart is specifically designed to display how a whole is divided into parts, making it ideal for showing the proportional contribution of each product category to total revenue. A line chart shows trends over time, a scatter plot shows the relationship between two numerical variables, and a Gantt chart shows project timelines. Choosing the right chart type for the data and the question being answered is a key data visualisation skill — using the wrong type can mislead rather than inform.

Section C, Data visualisation — types of chart · Ref C1 · e1111

Question 33: D Data made publicly available for anyone to access and use, typically from governments or research bodies

Open data is information published by governments, public bodies or other organisations that anyone can freely access, download and use — such as economic statistics, geographic data, company registration information or public spending data. It is intentionally made available for transparency and to stimulate innovation. Unsecured data is a security failure, not open data; intranet data is internal data; and individuals' rights to their own data under GDPR is a separate data protection concept. Finance professionals can use open data for benchmarking, market analysis and economic research.

Section C, Open data · Ref C1 · e1112

Question 34: A A debtor report that excludes a significant customer because their invoices were not captured in the system

Completeness means all relevant data is present — when a significant customer's invoices are missing from the debtor report, the data is incomplete, which will understate receivables and potentially overstate cash availability. Using the wrong currency is an accuracy problem, last year's figures as a budget starting point is a methodology choice, and late delivery is a timeliness issue. Data quality has multiple dimensions — accuracy, completeness, timeliness, consistency and relevance — and deficiencies in any one can impair the usefulness of management information.

Section C, Data quality — completeness · Ref C1 · e1137

Question 35: B Requiring strong passwords and multi-factor authentication

Requiring strong passwords and multi-factor authentication is a preventive control — it reduces the likelihood of unauthorised access occurring in the first place. System logs record activity after the fact (detective), unusual-access alerts detect anomalies as they occur (detective), and security audits identify weaknesses retrospectively (also detective or corrective). A layered cybersecurity approach combines preventive controls (to stop incidents), detective controls (to identify them quickly) and corrective controls (to respond and recover). Finance systems handling sensitive data need all three layers.

Section C, Cybersecurity controls · Ref C1 · e1138

Question 36: D Predictive analytics with automated data feeds, giving a more dynamic, current view

A dynamic, automatically updated cash flow forecast using current data from connected systems is an example of predictive analytics in practice — using historical patterns and current inputs to project future cash flows. It is also an example of the kind of real-time, integrated financial planning that digital tools enable, replacing slower, more manual spreadsheet-based approaches. There is nothing unethical about using business systems data for financial forecasting, and it is explicitly forward-looking rather than backward-looking.

Section C, Analytics in forecasting · Ref C1 · e1140

Question 37: D A centralised unit providing standardised services like accounts payable and payroll to multiple business units

A shared service centre consolidates repetitive, standardised finance processes — such as accounts payable, accounts receivable, payroll and expense management — into a single internal unit that serves multiple business units or locations, generating economies of scale and process consistency. It differs from outsourcing, which transfers work to an external third party. An SSC is still an internal function, so the organisation retains control, which is a key distinction from fully outsourced arrangements.

Section D, Shared service centres · Ref D1 · e1016

Question 38: D Greater emphasis on analysis, interpretation and business partnering as routine tasks automate

As automation and digital tools handle an increasing proportion of routine, repetitive finance tasks (such as data entry, reconciliations and standard reporting), management accountants are expected to spend more of their time on higher-value activities — analysing data, interpreting results, challenging assumptions, and working as business partners alongside operational managers. Automation does not make the role redundant; instead it shifts the work toward tasks requiring judgement, communication and strategic insight that technology cannot easily replicate.

Section D, Changing role of the management accountant · Ref D1 · e1020

Question 39: C Comparing finance's cost and quality metrics against other organisations or best practice

Benchmarking compares the finance function's performance — metrics such as cost per invoice processed, days to close the month-end, or finance cost as a percentage of revenue — against external peers or internal best practice. This identifies gaps and improvement opportunities. It is an analytical tool for improvement, not a punitive system, a spending cap, or a headcount ratio alone. External benchmarking data is provided by bodies such as APQC (American Productivity and Quality Center) and is widely used in finance transformation programmes.

Section D, Benchmarking · Ref D1 · e1067

Question 40: D Captive offshoring

Captive offshoring (also called a captive centre) involves establishing an internal operation in a lower-cost overseas location that remains wholly owned and managed by the parent company — so it combines offshoring (moving work overseas) with insourcing (keeping it in-house). Domestic outsourcing transfers work to an external provider in the same country; offshore outsourcing transfers work to an external provider in another country; and insourcing brings previously outsourced work back inside the organisation. The captive model gives the organisation cost advantages while retaining direct control.

Section D, Captive offshoring · Ref D1 · e1068

Question 41: A Using iterative, flexible processes and cross-functional collaboration to respond rapidly to change

Agile finance applies principles from agile project management to financial planning and reporting — using rolling forecasts instead of fixed annual budgets, shorter planning cycles, cross-functional teams, and iterative analysis that adapts quickly to new information. It does not mean abandoning planning altogether or simply changing reporting frequency. Agile finance is a response to increasing business uncertainty and the faster pace of change, where traditional annual budgeting cycles can become outdated before the year ends.

Section D, Agile finance · Ref D1 · e1069

Question 42: B Data analysis, communication and commercial acumen alongside technical accounting knowledge

Modern finance professionals are expected to combine strong technical accounting knowledge with data analytics skills (working with data tools and interpreting outputs), business communication (translating financial insight into language non-finance colleagues understand), and commercial acumen (understanding the business context). Manual data entry speed and physical filing have been largely automated, and a single-standard specialism is too narrow. This 'T-shaped' skill set — deep technical knowledge plus broad enabling skills — is what employers increasingly seek.

Section D, Finance talent and digital skills · Ref D1 · e1070

Question 43: C Business units may feel less supported as finance becomes more remote from operations

A key risk of centralising finance into a shared service centre is that business units may perceive finance as less responsive and less connected to their specific needs, potentially weakening the business partnering relationship. SSCs are designed to reduce cost and improve standardisation — so cost increase and less standardisation are not typical outcomes. SSCs are internal cost centres, not profit generators. Managing the balance between centralised efficiency and local responsiveness is one of the main challenges of the SSC operating model.

Section D, Shared service centre — risks · Ref D1 · e1091

Question 44: D Processing high-volume, repetitive invoice matching against purchase orders

RPA is best suited to processes that are rule-based, high-volume, repetitive and involve structured data — such as matching invoices to purchase orders, processing expense claims or running routine reconciliations. Negotiation, complex judgement-based estimates and strategic design require human insight, creativity and professional scepticism that RPA cannot replicate. The value of RPA in finance comes from automating the predictable and rule-driven, freeing humans for the judgement-intensive work.

Section D, Robotics adoption in finance · Ref D1 · e1092

Question 45: A The gap between finance professionals' current skills and those needed digitally

The skills gap in finance reflects the mismatch between what finance professionals have historically been trained for (technical accounting, transaction processing) and what organisations now need (data analytics, digital tool proficiency, business partnering, commercial communication). As technology automates routine tasks, demand shifts toward higher-order skills. Addressing the gap requires investment in training, hiring new skill sets and redesigning roles. It is not about physical location, budget variances or salary differentials.

Section D, Finance skills gap · Ref D1 · e1093

Question 46: B The desired future state of finance structure and how it interacts with the business

A target operating model defines the future blueprint for the finance function — covering its organisational structure, the split between shared service, business partnering and expert roles, the technology platforms to be used, the location of activities and how finance will engage with stakeholders. It is the 'destination' that a finance transformation programme aims to reach. Financial targets for divisions, cost limits and reporting formats are separate operational matters, though the TOM informs all of them.

Section D, Target operating model · Ref D1 · e1094

Question 47: D How efficiently the finance function is resourced relative to business scale

Finance function cost as a percentage of revenue benchmarks the finance function's cost relative to the size of the organisation it serves, enabling comparison with peers and tracking improvement over time. A lower ratio generally indicates greater efficiency, though it must be interpreted carefully — cutting finance costs too aggressively can compromise quality and control. It is not a profitability measure (finance is a cost centre), not a measure of total debt, and not related to CPD completion. It is one of the most widely used finance function efficiency metrics.

Section D, Finance function cost as a percentage of revenue · Ref D1 · e1120

Question 48: B Monitor service levels and retain in-house capability to oversee the provider

Successful outsourcing requires active contract management — monitoring the provider's performance against agreed service levels, addressing issues through governance mechanisms, reviewing the contract regularly and retaining enough in-house capability to understand the work being done and hold the provider to account. Trusting the provider without review creates risk of service deterioration, abandoning oversight breaches governance duties, and immediately reshoring for minor issues is disproportionate. The relationship requires ongoing investment in governance, not a 'set and forget' approach.

Section D, Outsourcing contract management · Ref D1 · e1142

Question 49: A Providing performance measures that help managers evaluate progress toward objectives

Finance contributes to business performance management by developing and reporting key performance indicators (financial and non-financial), preparing performance reports against budget and forecast, providing variance analysis, and supporting the design of management information that helps managers monitor and improve performance. Product design, IT management and customer pricing are operational matters in which finance may provide analytical support but is not the primary function responsible.

Section E, Finance and business performance · Ref E1 · e1021

Question 50: C Finance provides cost data and reports helping operations control costs and improve efficiency

Finance interacts with operations by providing cost information (such as product costs and overhead rates), preparing and monitoring production budgets, analysing variances between actual and standard costs, and supporting capital investment decisions for new equipment. It does not set production schedules or manage staffing — those are operational decisions — but finance provides the financial intelligence that informs and supports them. The relationship reflects business partnering in action.

Section E, Finance and operations · Ref E1 · e1023

Question 51: B Finance provides analysis like campaign ROI and profitability to support marketing decisions

Finance interacts with marketing by analysing the financial return on marketing campaigns, calculating customer lifetime value and profitability by segment, monitoring marketing budgets and variances, and providing financial input to pricing and product decisions. Finance does not write advertising copy, replace the marketing function, or manage social media — those are specialist marketing activities. The business partnering relationship means finance provides financial challenge and support to help marketing make evidence-based spending decisions.

Section E, Finance and marketing · Ref E1 · e1046

Question 52: D Providing cost analysis and financial assessment of procurement decisions

Finance supports procurement and supply chain by analysing supplier costs and terms, managing accounts payable, valuing inventory, assessing the financial viability of suppliers, and providing financial analysis for make-or-buy decisions. Physical logistics — moving goods, warehouse design, setting routes — are operational decisions for supply chain management. Finance's contribution is the financial intelligence and control that ensures procurement decisions create value and payments are managed efficiently.

Section E, Finance and supply chain · Ref E1 · e1048

Question 53: A Concise summary of financial performance, key risks and strategic info for board decisions

Board-level financial reporting should be concise, high-level and focused on the information the board needs to fulfil its governance and strategic responsibilities — including financial performance against strategy, key risks, and forward-looking information. Detailed transactional data is appropriate for operational managers but would overwhelm a board. Replicating management accounts or suppressing negative information would not serve the board's governance role. Good board reporting is balanced, material and decision-focused.

Section E, Finance reporting to the board · Ref E1 · e1049

Question 54: B Finance measures and reports the financial impact of CSR, and ESG links increasingly to funding decisions

CSR has direct financial relevance: the costs of environmental programmes, community investment and governance initiatives need to be budgeted and reported; ESG ratings affect access to finance and investor appetite; and regulatory compliance has financial consequences. Finance measures and discloses CSR performance as part of integrated or sustainability reporting. Finance does not set CSR strategy independently (that involves the board and operational functions), and personal charitable giving by finance staff is a separate matter.

Section E, Corporate social responsibility and finance · Ref E1 · e1050

Question 55: C Providing financial analysis on innovation returns and helping prioritise projects

Finance contributes to innovation by providing the financial analysis framework for evaluating R&D and innovation investments (using techniques such as real options, scenario analysis and NPV), managing innovation budgets, and helping leadership prioritise projects based on expected risk-adjusted returns. Blocking all new spending, taking over R&D, or imposing unrealistically short payback criteria would all undermine innovation rather than support it. Finance should be an enabler of innovation, providing the financial discipline that helps ideas become viable businesses.

Section E, Finance supporting innovation · Ref E1 · e1075

Question 56: D Accounting for pension costs and liaising with actuaries and trustees on the scheme's position

Finance's role in pensions covers the accounting treatment of pension costs (under IAS 19 for defined benefit schemes), analysing the funding position and cash contribution requirements, and working with actuaries and pension trustees to understand the financial implications of the scheme's performance. Investment strategy is set by the trustees in conjunction with investment advisers, day-to-day administration is handled by HR or the scheme administrator, and provider selection is a governance matter for trustees. Finance provides the financial intelligence that informs pension strategy and governs how costs are reported.

Section E, Finance and pension management · Ref E1 · e1100

Question 57: A Reporting on sustainability impacts — economic, environmental, social — to external stakeholders

The GRI Standards are the most widely used framework for sustainability reporting, enabling organisations to disclose their economic, environmental and social impacts in a structured and comparable way. GRI reports are voluntary but increasingly expected by investors, customers and regulators. The GRI is not a tax framework, internal audit standard or budgeting tool. Finance professionals are involved in producing GRI reports because the data they contain (carbon costs, community investment, employment metrics) has financial as well as non-financial dimensions.

Section E, GRI framework · Ref E1 · e1121

Question 58: B Provide analysis of reserves and cash flow to inform the board's dividend decision

Dividends are declared by the board and approved by shareholders; finance supports this by analysing the level of distributable profits available, the cash flow impact of different dividend levels, and how the proposed dividend compares with peer companies or investor expectations. Finance does not set dividend policy unilaterally, nor does it have authority to prevent or pay dividends without proper governance. The board must balance rewarding shareholders with retaining sufficient capital for operations and investment, and finance provides the analysis to inform that judgement.

Section E, Finance and dividend policy · Ref E1 · e1122

Question 59: C The people's competencies and motivations contributing to organisational success

In the Integrated Reporting framework, human capital represents the knowledge, skills, experience, values and motivations of people within the organisation — including employees, contractors and others who contribute to value creation. Cash tied up in employment contracts, machinery (manufactured capital) and share market value (financial capital market metric) are separate concepts. Finance is increasingly expected to measure and report on human capital — for example, through metrics such as employee turnover, engagement, training investment and skills gaps.

Section E, Integrated reporting — capitals · Ref E1 · e1147

Question 60: D Ensuring financial risk appetite is clearly defined, communicated and embedded in planning and decisions

Finance contributes to risk culture by translating the board's risk appetite into financial terms, embedding risk considerations into budgeting and investment appraisal, providing financial risk analysis that informs operational decisions, and ensuring performance frameworks reward risk-adjusted, not just absolute, returns. Encouraging maximum risk ignores the downside; eliminating all risk starves the organisation of opportunity; and centralising all risk decisions removes accountability from the people best placed to manage operational risks. Finance helps build a culture of informed, proportionate risk-taking.

Section E, Finance and risk culture · Ref E1 · e1148