

# CIMA Managing Finance in a Digital World (E1) Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

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# Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

**Remember:** successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

# How to Use This Guide

**This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:**

## **1. Start with a Diagnostic Review**

**Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.**

## **2. Study in Short, Focused Sessions**

**Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.**

## **3. Learn from the Explanations**

**After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.**

## **4. Track Your Progress**

**Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.**

## **5. Simulate the Real Exam**

**Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.**

## **6. Repeat and Review**

**Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.**

**There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!**

## Questions

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- 1. Machine Only Activities are best described as activities in which machines will always outperform humans. Which of the following statements correctly describes this concept?**
  - A. Activities where humans will always outperform machines.**
  - B. Activities where machines will always outperform humans.**
  - C. Activities that require manual processes.**
  - D. Activities that involve human-robot collaboration but not dominance.**
  
- 2. Which of the following is NOT among the fundamental ethical principles listed?**
  - A. Professional Competence and due care**
  - B. Integrity**
  - C. Confidentiality**
  - D. Transparency**
  
- 3. What is a key characteristic of Exploratory data analysis?**
  - A. Identifying patterns**
  - B. Making forecasts**
  - C. Automating processes**
  - D. Confirming a theory**
  
- 4. In an ETL process, what is the Transform stage?**
  - A. Convert extracted data into a form that can be placed into another database**
  - B. Extract data from source systems**
  - C. Write transformed data directly to the data warehouse**
  - D. Analyze data to determine business insights**
  
- 5. Which pricing method is described as setting price to cover only marginal costs?**
  - A. Full cost pricing**
  - B. Marginal cost pricing**
  - C. Mark-up pricing**
  - D. Target return pricing**

- 6. Which statement best describes the marketing macro environment?**
- A. Micro environment**
  - B. Internal environment**
  - C. Corporate governance**
  - D. Macro environment**
- 7. What is the primary purpose of performance management?**
- A. Increasing salaries**
  - B. Reducing headcount**
  - C. Auditing expenses**
  - D. The process of getting the most out of employees and ensuring they perform their role effectively so organizational goals are achieved**
- 8. Which of the following is an example of primary data?**
- A. Questionnaires**
  - B. Information from the internet**
  - C. Published statistics**
  - D. Data from a system**
- 9. Which item is NOT part of the PESTEL framework?**
- A. Political**
  - B. Economic**
  - C. Legal**
  - D. Industrial**
- 10. What is a multiple supply strategy?**
- A. One source of supply**
  - B. Several sources of supply**
  - C. Outsourced part of production**
  - D. Combination of all other 3 supply strategies to maximise the benefit of each**

## Answers

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1. B
2. D
3. A
4. A
5. B
6. D
7. D
8. A
9. D
10. B

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## **Explanations**

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**1. Machine Only Activities are best described as activities in which machines will always outperform humans. Which of the following statements correctly describes this concept?**

- A. Activities where humans will always outperform machines.**
- B. Activities where machines will always outperform humans.**
- C. Activities that require manual processes.**
- D. Activities that involve human-robot collaboration but not dominance.**

Machine Only Activities are about tasks that automation can handle more quickly and with greater consistency than humans, to the point where human involvement isn't needed for the task to be performed effectively. Machines excel at repetitive, high-volume, rule-driven work because they don't tire, can operate continuously, and maintain precise accuracy, which often makes them the more efficient option. That's why the statement that machines will always outperform humans fits best. It captures the essence that, for these activities, the performance advantage lies with automation, leaving little or no room for human superiority in the same task. The other ideas don't describe this scenario: humans always outperform suggests the opposite; manual processes imply no automation at all; and collaboration without dominance implies a mixed approach rather than a true machine-only environment.

**2. Which of the following is NOT among the fundamental ethical principles listed?**

- A. Professional Competence and due care**
- B. Integrity**
- C. Confidentiality**
- D. Transparency**

In professional ethics for accountants, the fundamental principles are integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. Transparency, while important in reporting and communication, is not one of these core principles. So the choice describing transparency is the one that isn't among the fundamental principles. The other items—integrity, confidentiality, and professional competence and due care—are all recognized fundamental principles that guide ethical conduct.

### 3. What is a key characteristic of Exploratory data analysis?

- A. Identifying patterns**
- B. Making forecasts**
- C. Automating processes**
- D. Confirming a theory**

Exploratory data analysis focuses on discovering what the data show by looking for patterns, relationships, and unusual observations, using visual tools and summary statistics to understand structure without forcing a predefined model. This approach helps you see how data are distributed, where anomalies lie, how variables relate, and what ideas worth testing later. That's why identifying patterns is the best description of what EDA aims to do. It's not about forecasting future values (that's predictive modeling), nor about automating processes, and it isn't about confirming a theory upfront—EDA is about exploration to generate insights and hypotheses for further analysis.

### 4. In an ETL process, what is the Transform stage?

- A. Convert extracted data into a form that can be placed into another database**
- B. Extract data from source systems**
- C. Write transformed data directly to the data warehouse**
- D. Analyze data to determine business insights**

The Transform stage is about converting extracted data into a form that can be placed into the target database, including cleansing, standardizing data formats (like dates and currencies), handling missing values, deduplicating, deriving new fields, and sometimes aggregating data. This shaping makes data from different sources consistent and ready for loading into the data warehouse. It's different from extraction, which pulls data from sources, and from loading, which writes the transformed data into the warehouse. It also isn't about analyzing for insights, which happens after the data is stored and used for reporting.

### 5. Which pricing method is described as setting price to cover only marginal costs?

- A. Full cost pricing**
- B. Marginal cost pricing**
- C. Mark-up pricing**
- D. Target return pricing**

Setting price to cover only marginal costs means charging a price equal to the additional cost of producing one more unit—the variable cost. This approach ignores fixed costs in the price, so the unit itself doesn't contribute to covering those fixed charges; recovery of fixed costs relies on volume or other pricing strategies over time. It's often used for short-term decisions or when there is spare capacity, where the priority is to ensure each extra unit at least covers its incremental cost and avoids a loss on that unit. This differs from full cost pricing, which includes fixed costs in the price; mark-up pricing, which adds a profit margin on cost; and target return pricing, which aims for a specific return on investment.

**6. Which statement best describes the marketing macro environment?**

- A. Micro environment**
- B. Internal environment**
- C. Corporate governance**
- D. Macro environment**

Marketing macro environment refers to the broad external forces that shape markets and affect the firm, but are largely outside the company's control. These forces operate at a wide, societal level and can influence opportunities and threats the business must respond to. They include factors such as demographic shifts, overall economic conditions, natural environment and sustainability trends, advances in technology, political and legal developments, and social and cultural changes (often grouped as PESTEL). This is different from the micro environment, which involves actors close to the company like customers, suppliers, competitors, and distributors, and from the internal environment, which covers the organization's own culture, structure, and resources. Corporate governance concerns how the company is directed and controlled, not the external market forces. So the statement describing those broad external forces outside the firm's control best captures the macro environment.

**7. What is the primary purpose of performance management?**

- A. Increasing salaries**
- B. Reducing headcount**
- C. Auditing expenses**
- D. The process of getting the most out of employees and ensuring they perform their role effectively so organizational goals are achieved**

Performance management is about getting the most out of employees and ensuring they perform their role effectively so organisational goals are achieved. It involves setting clear objectives, monitoring progress, giving feedback, coaching, and developing people so their capabilities align with what the organisation needs. It's a continuous cycle of planning, reviewing, supporting, and rewarding that aims to improve both individual performance and overall organisational performance. The other options describe different HR or financial activities—salary decisions, headcount changes, or auditing expenses—not the ongoing process of managing and improving performance to achieve strategic objectives.

## 8. Which of the following is an example of primary data?

- A. Questionnaires**
- B. Information from the internet**
- C. Published statistics**
- D. Data from a system**

Primary data are collected firsthand for a specific study. A questionnaire involves asking people directly and gathering their fresh responses for the research purpose, so it is primary data. This gives you information that is current and tailored to your questions, though it requires time and effort to design and administer. Information from the internet and published statistics are produced for other purposes and are used as secondary data. Data from a system typically exist already for day-to-day operations and are generally treated as secondary data unless you're collecting new data from the system specifically to address your study.

## 9. Which item is NOT part of the PESTEL framework?

- A. Political**
- B. Economic**
- C. Legal**
- D. Industrial**

PESTEL is a tool for analyzing the external macro-environment that can influence an organization. It covers Political, Economic, Social, Technological, Environmental, and Legal factors. Industrial, while related to the market or sector, does not fit these macro-environment categories. It's more about the industry itself than the broad external forces PESTEL examines. That's why Industrial is not part of PESTEL. For understanding industry structure alongside external factors, other models like Porter's Five Forces are used in addition to PESTEL.

## 10. What is a multiple supply strategy?

- A. One source of supply**
- B. Several sources of supply**
- C. Outsourced part of production**
- D. Combination of all other 3 supply strategies to maximise the benefit of each**

Multiple supply strategy means sourcing the same materials or components from more than one supplier. The goal is to spread risk and improve resilience—if one supplier has a disruption or cannot meet demand, another can fill the gap. It also allows for competitive pricing and better supplier performance through choice. While it adds complexity in management and coordination, the benefit of reduced dependency and continuity of supply is the key reason this approach is chosen. The idea described by a single source is the opposite, outsourcing part of production relates to make-or-buy decisions rather than the number of suppliers, and combining all strategies goes beyond the specific notion of sourcing from multiple suppliers.

## Next Steps

**Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.**

**As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.**

**If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at [hello@examzify.com](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://cimae1.examzify.com>**

**We wish you the very best on your exam journey. You've got this!**