Investment Banking Questions

Resources/Sample Interview Questions

Investment Banking interviews have been described as "quick and painful". The banks are the first firms to interview on Grounds and the process is usually over within a week or two. Because the interviews themselves usually only last between 30 minutes and an hour, the interviewers like to get straight to the point. Besides knowing your resume inside and out, the best preparation you can do for the interviews is to prepare answers to as many questions as possible that may arise. Below is a list of questions that are frequently asked in the interviews.

Top 10 questions:

1. Walk me through the highlights of your resume. I’m interested in the decisions you have made.

2. Why investment banking? Why our bank?

3. How do you value a company?

4. Why did you choose UVA?

5. What other firms are you interviewing with and why? Are you interviewing with consulting firms also? What career opportunities are you exploring other than I-banking?

6. What are your grades? Be ready to explain any weak-points.

7. What are the qualities required for an I-banker? What are your greatest strengths? What are your weaknesses?

8. What do you understand the responsibilities of an associate/summer associate to be?

9. Describe a current event in the market.

10. What questions do you have for me?

Resume-linked and personality questions:

[Be ready to explain any line on your resume].

What made you choose UVA? Why did you pursue a major in _____?

What other school did you apply to? Which ones accepted you?
Investment Banking Questions

What is your favorite class? Why? What was your grade?

What are your 5-10 year long term career plans.

What are your proudest accomplishments?

Are you a leader or a follower? Give me leadership and quantitative skill examples. Tell me about a time when you took responsibility for a project.

How do you work in teams. How do you handle a non-contributing team member? What do you add to a group when you take on a team assignment or a group task?

Describe a failure? What did you learn from it?

When was the last time you lost your temper, why? How do you handle stress?

What do you do in your spare time?

What do you do to relax?

Tell me a joke.

Who has influenced you the most, besides any family members?

Say you are at a meeting with a client and your MD is giving a presentation. You suddenly notice a mistake in some of the calculations, which you have done in the presentation. Do you tell him? When? What do you say?

Why should I take you instead of someone from Harvard?

What is one skill that you think will be most important in doing your job?

You seem to like consulting, why are you interested in finance?

What is one word that describes you best? Your weaknesses? Your strengths?

How would your classmates characterize you? How would you characterize yourself in the group dynamic?

Highlight your quantitative accomplishments.

What was the most ethical decision you had to make?

If you were a vegetable - what would you be?
Investment Banking Questions

What do you read? What's the last book you read?

What is in a pitch book?

What has been your greatest challenge since beginning UVA?

Financial questions:

Why would two companies merge? What major factors drive mergers and acquisitions?

What are some common anti-takeover tactics?

What is a LBO? Why leverage up a firm?

Why might a company choose to issue debt vs. equity?

What could a company do with excess cash on the balance sheet?

How would you calculate a firm’s WACC? What would you use it for?

What is the Beta and where would you go to find a firm’s Beta? How and why would you unlever a beta?

What is the CAPM?

How do you calculate the firm value for the firm below?

Shares outstanding 100,000

Stock price $20

Debt $500,000

Cash and equivalents $500,000

What would have a greater impact on valuation, a 10% reduction in revenues or 1% reduction in discount rate?

What major factors affect the yield on a corporate bond?

How would you evaluate the creditworthiness of a tuna manufacturer with three factories in different locations throughout the U.S.?

A firm is using LIFO, and prices on supplies start decreasing. What are effects on I/S,
Investment Banking Questions

BS and CFS?

Is it always better to use Pooling rather than Purchase in a merger? If sometimes Purchase is better, tell me when?

Company A trades at P/E of 20. Company B trades at P/E of 10. Both are considering acquiring Company C, which trades at P/E of 15. For which of the two acquiring companies would the deal be dilutive? For which would it be accretive? Explain why for each.

Suppose you are buying a new fixed asset - part cash and part debt. Take me through how it affects all the financial statements.

Questions on financial markets:

What did our firm’s stock close at yesterday?

What is the DJIA at today? NASDAQ? S&P500? What is the long bond at? Fed funds rate?

Where is the market going? Bond, equity and forex? Where do you think interest rates will be in the next 12 months?

What happened on the markets in the past three months?

Do you read the Wall Street Journal everyday? What’s on the front page today?

Do you follow an industry, a stock?

What do you personally invest in?

How does the yield curve look like?

What industry do you follow and what numbers do you look at to determine if a firm is doing well in that industry.

Accounting questions:

What is EBITDA?

Walk me through the major line items of a Cash Flow Statement.

Say you knew a company’s net income. How would you figure out its cash flows?
Investment Banking Questions

What is the difference between a balance sheet and an income statement?
What is goodwill? How does it affect net income?
What is the difference between Purchase vs. Pooling?
What are deferred taxes? How do they arise?
What is working capital?

**Questions on Investment Banks:**

What do you hope to accomplish over the summer
What department do you want to work for inside I-banking and why?
Who is in the bulge bracket?
Rank firms on Wall Street and where do we fit? Who is our competition (in the major categories)? What differentiates our firm? What are our firm’s strengths? Weaknesses?
Describe a typical day of an investment banking associate?
Do you understand lifestyle issues and why do you or don’t you have a problem?
What is your greatest concern about investment banking?

**Random Questions (that were actually asked!):**

Suppose I was going to evaluate you and thirty of your UVA compatriots on one quality with the winner receiving something very desirable such as one million dollars and you are allowed to determine that quality, what would it be?
What did you eat for lunch? How do you like NY? What do you do when you're bored?
What is the riskiest thing you've ever done?
Think of the team you worked most with and give me a word that describes each team member.
Are you more risk averse or risk seeking?
<table>
<thead>
<tr>
<th>Investment Banking Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lets imagine you died and are giving a speech at your funeral. What would you say?</td>
</tr>
<tr>
<td>How would you spend $1,000,000 besides investing it?</td>
</tr>
</tbody>
</table>