FINANCIALEDGE

Investment Banking Superdays

List of 100 Technical Questions

info@fe.training

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Economy outlook

1. What is your current assessment of the economic landscape?
2. How does your economic outlook influence your investment strategies?
3. Can you discuss any potential risks or opportunities you see in the current economy?
4. How do you foresee inflation affecting investment decisions?
5. Given the current economic conditions, what industries or sectors do you believe will thrive or face challenges?

Corporate Finance

6. What are the three key financial statements? How do depreciation and tax rates affect each one of these?
7. What is accrued income and deferred revenue?
8. What is operating leverage?
9. What is capital budgeting? Name the techniques used to evaluate investment projects?
10. Calculate the present value of an annuity of $100, where the cost of capital is 10%.
11. In the choice between higher NPV or higher IRR, which is preferable?
12. As an investor would you consider EBITDA or net profit for judging a potential investment?
13. What happens to EPS when a company buys back its shares? What happens if the company funds this buyback through debt?
14. Will acquiring fixed assets affect working capital?
15. What is negative working capital?
16. What are the industry specific financial ratios?
17. What are the key leverage ratios?
18. What is DuPont analysis? How does it helps in understanding the drivers of a company's return on equity?

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Weighted Average Cost of Capital (WACC)

19. What is WACC?
20. How would you calculate the WACC for a private firm?
21. Between two identical companies, one with zero debt and another with 50% debt, which will have the higher WACC?
22. Which asset carries a higher level of risk: one with a beta of -2.0 or one with a beta of 1.2? Why?
23. Can you provide an example of a sector or company with a negative beta?
24. While calculating a peer group beta, how would you deal with the capital structure of the peer group? How would you find the cost of equity?
25. What is levered beta?

Valuation

26. What is enterprise value?
27. What is diluted market capitalization?
28. What are the different methods of valuation?
29. Explain the DCF valuation method. Why would you use mid-year conversion in DCF?
30. What is trading comparables & transaction comparables? What factors are taken into consideration while selecting comparable companies?
31. How would you value a conglomerate like General Electric? What is a conglomerate discount?
32. Why might Walmart, which has 2 times the revenue of Apple, has 1/6th of Apple's market capitalization?
33. Define free cash flow to the firm (FCFF). Differentiate between FCFF and FCFE (free cash flow to equity)
34. What are the examples of recurring and non-recurring expenses?
35. Define excess cash. How does a company differentiate between normal cash & excess cash?
36. What are unfunded pension liabilities? Why do they form a part of debt?
37. Define minority interest or non controlling interest (NCI). State the reason for its inclusion in EV
38. How will you account for the profits received from joint ventures (JVs) or associate investments?

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Mergers & acquisition (M&A)

39. What is the difference between a merger and an acquisition?
40. Explain the main types of M&A transactions: horizontal, vertical, and conglomerate.
41. How do synergies play a role in M&A transactions?
42. What factors drive companies to pursue M&A transactions?
43. What considerations would you have in mind while evaluating a potential acquisition for the client?
44. What is a 'hostile takeover' and how can they be prevented?
45. What is the role of investment banks in M&A transactions?
46. Can you provide an example of a high-profile M&A transaction and analyze its outcomes?
47. What might be the reasons for a company to avoid a 100% cash payment when acquiring another company, even if it has the ability to do so?

Equity Capital Market (ECM)

48. What is the role of the Equity Capital Market (ECM) division in investment banking?
49. What is the primary purpose of equity offerings in ECM?
50. What are the main types of equity offerings?
51. What factors influence a company's decision to go public through an initial public offering (IPO)?
52. How do investment banks assist in pricing an IPO?
53. What is an underwriting syndicate in the context of an IPO?
54. What is bookbuilding?
55. What is an IPO roadshow?

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Debt capital Market

56. How does a bond price respond to shifts in interest rates, and why?
57. What factors influence the yield curve shape, and what does it indicate about the market?
58. Differentiate between coupon rate, yield to maturity (YTM), and current yield of a bond.
59. How does a credit rating impact the yield and pricing of bonds?
60. What are the differences between government bonds, corporate bonds, and municipal bonds?
61. What is the significance of the duration of a bond?
62. Explain the concept of callable and non-callable bonds.
63. What is a bond's coupon frequency, and how does it affect the investor's return?
64. Can you elaborate on the risks associated with investing in high-yield or junk bonds?
65. Describe the primary reasons why bond prices might vary from their face value.

Leveraged buy-out (LBO)

66. What is an LBO, and how does it work?
67. Explain the typical process of conducting an LBO
68. What are the main benefits and risks associated with LBO transactions?
69. How do private equity firms finance an LBO?
70. What factors influence the decision to use debt financing in an LBO?
71. Explain the role of equity and debt ratios in structuring an LBO deal.
72. What key financial metrics are used to evaluate the viability of an LBO?
73. Provide an example of a successful LBO and the factors contributing to its success.

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Special purpose acquisition company (SPAC)

74. What is a SPAC?
75. Explain the purpose and structure of a SPAC.
76. What is the typical process of a SPAC's initial public offering (IPO)?
77. What is the role of a SPAC sponsor or promoter?
78. How does a SPAC raise funds, and where are those funds held during the searching phase?
79. What are the benefits and risks associated with investing in SPACs?
80. How do investors' redemptions impact the funds available for a SPAC's acquisition?
81. What are the recent trends or regulatory changes affecting the SPAC market?

Investments

82. If Facebook had a P/E ratio of 40x and Apple had 30x, which company would you advise your client to invest in and why?
83. How do you evaluate the risk and return trade-off when making investment decisions?
84. Can you explain the difference between active and passive investment strategies?
85. What factors do you consider when assessing the value of a company's stock for investment purposes?
86. How do you incorporate market trends and economic conditions into your investment recommendations?
87. What is diversification and its importance in an investment portfolio?
88. Explain the role of beta in assessing the volatility and risk of an investment.
89. How do you approach selecting investments for a client's portfolio based on their risk tolerance and investment goals?
90. What are the benefits and drawbacks of alternative investments, such as real estate or private equity, in a portfolio?

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Business model

91. What is the flywheel effect?
92. Can you explain the core elements of a subscription-based business model?
93. What are the key revenue drivers in an e-commerce business model?
94. Compare the advantages and disadvantages of a B2B versus a B2C business model.
95. Describe the concept of a "freemium" business model and how it generates revenue.
96. How does a marketplace business model differ from a traditional retail model?
97. What challenges might companies face when transitioning from a product sales model to a subscription-based model?
98. Explain the platform business model and provide examples of successful companies that utilize it.
99. What factors should be considered when evaluating the sustainability of a direct to-consumer business model?
100. How might you analyze the scalability of a platform-based business model compared to a brick-and-mortar retail model?

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