

# The 28 Questions to which Every Candidate Should Know the Answer when Interviewing for an Analyst Position in Corporate Finance

## Investment Banking and Corporate Finance

1. What is investment banking? What services does an investment bank offer?
2. What is the difference between the entity "an investment bank" and the activity "investment banking?"
3. What is corporate finance / M&A?
4. What is the difference in mentality between the corporate finance department and the financial markets department?
5. What services, typically, does a corporate finance / M&A department offer to its corporate clients?
6. How does the corporate finance department charge its fees to clients?
7. What is the difference between 3<sup>rd</sup> party (advisory / agency etc) M&A and "principal finance"?

## Life in Corporate Finance

8. Why do you want to work in corporate finance?
9. Why do you think you are suited to a career in corporate finance?
10. What do you think you will be doing in your first X months / years in corporate finance?
11. Do you know what is entailed in 'origination' work?
12. Do you know what is entailed in 'valuation' work?
13. Do you know what is entailed in executing and managing a transaction through to completion?
14. What types of financial models will you build? What purpose will they serve?
15. What research will you be asked to do?

## Corporate Finance Concepts

16. When companies float to become listed on the public market, what are (a) the advantages and (b) the disadvantages? Why do some public companies become private again?
17. What are (a) the various advantages or (b) the disadvantages of (c) equity finance or (d) debt finance to (e) the company raising the finance or (f) the investor investing the money?

## Corporate Finance Techniques

18. Name three ways to value to a company? What are the relative strengths and weaknesses of each method?

19. What are each the definitions of a Profit and Loss Account, Balance Sheet and Cashflow Statement? What two categories of financial information does each one contain?
20. Why is accounting profit different from cashflow and why is cashflow a better measurement of a company's financial health? How can a company manipulate its reported accounting profit?
21. What is meant by EBITDA? How do you reorganize a company's accounting statements to discover its true economic profit, as opposed to its accounting profit? How do you calculate its 'free cashflow'?
22. How do you calculate the discount factor to be used in a DCF model? What is this figure otherwise known as? How do you calculate the cost of a company's equity finance? How do you calculate the cost of its debt finance?
23. What is measured by a stock's 'beta'?

### **Case Studies**

24. Imagine you run XX type of business...what are its strategic strengths or weaknesses? How could they be addressed by entering into an M&A deal? What are the so-called "five forces" that influence the competitiveness of an industry? How can a company create and maintain competitive advantage?
25. Discuss a recent M&A deal that interests you...what was at stake?...what were the issues in the deal completing / not completing?
26. What variables would you use to measure a company in the XX industry or the YY industry?
27. Imagine you run a business that grows and sells Christmas trees. You are considering expanding by adopting an M&A strategy? What types of businesses could you consider acquiring and why?
28. Imagine you are on a plane on the way back from America. You come upon the idea of a new type of razor blade that could last twice as long as conventional razor blades but be made at half the price. How would you go about estimating  
a) demand b) potential sales?