

Investment Banking Interview Questions

Technical

What is net debt, and why is it used when a company is valued?

According to the CAPM, does the marketplace compensate for systematic or specific risk?

A clock is showing 3:15, what is the angle between the minute and the hour needle?

What are deferred taxes, how do you create them, give me a specific example?

What do you think is going to happen with interest rates over the next 6 months?

Where do you see the economy going in 2009?

What is the biggest debt market (by product) in the US? Rank the top 5 markets.

What is the most liquid debt market in the world?

What does liquidity allow an investor?

What is unique about the US Treasury Market vis a vis the rest of the debt market?

What are the components of WACC?

When a company increases its leverage, how does the WACC change? Explain the reasoning.

You are looking at a utility company, which of the three financial statements do you look at first?

You are looking at a retail company, which of the three financial statements do you look at first?

You are looking at an airline, which of the three financial statements do you look at first?

What industry do you follow? What happened recently?

You just finished a company valuation, but you realize that you need to increase depreciation. How does the valuation change?

Two companies with identical size, margin, products, and customers have different P/E ratios, why?

How would the leverage of a company differ depending on its industry and lifecycle?

If a company bought this table today, how would the three accounting statements look today and in one year.

Walk me down through the lines on an income statement.

What rate of return would a private equity fund be looking for

How does depreciation affect a company's FCF?

If you have to choose one of the three types of financial statements to analyze the health and performance of a growth company, which statement would it be and why?

To compare growth companies, what ratios should we use?

In your view how does the _____ sector look to you right now?

If the various valuation methods provide you with inconsistent valuations, which one should you use? Why?

If I am looking at the industrial sector and need to compute the CAPM. How would I do this? ... Which index should I benchmark it against?

Discuss an interesting concept you have learned in your finance class?

It sounds like increasing debt results in a greater required ROR on equity. This means that if we were an investor in equity, we would want to only invest in a purely debt-financed firm. Right? Now, should firms be purely debt-financed to maximize their capital structure?

What is the correct amount of debt in the capital structure of the firm?

How do you compute/calculate a DCF?

What's net deferred tax liability?

How does switching from FIFO to LIFO affect accounting statements?

Walk me through the LBO analysis.

How do you value distressed debt (and related questions on cramdown, blocking positions, etc.)?

Which is worth more, an all-equity firm or a firm with debt? Why?

What kinds of debt would be issued in an LBO?

Why would you decide to buy another company?

What is your equity market outlook for this year? Which sectors are going to outperform?

How do you stay on top of the markets?

Tell me about a stock that you like. Why do you like it?

How would you assess a company's capacity for more debt?

How would you assess a company's credit risk?

(Know at least one M&A and one IPO case in detail).

How would basis risk impact your evaluation of a potential credit issuance?

What strategy would you recommend for a firm that has excess cash?

Why would a firm want to do a stock repurchase?

Which firm has the higher P/E - an all-equity firm or an all-debt firm?

Do you subtract/add deferred tax assets from Net Income to arrive at free cash flow and why?

Does a company's beta change with changes in the company's capital structure?

When would it make sense for an acquirer to acquire an overvalued target?

Why do you subtract cash from Equity Value to arrive at enterprise value if debt equals zero?

Fee degradation question. Assume I hired you and you need to deal with a client of ours who demands that we reduce our fee or she/he switches to another Investment bank if his/her demands are not met. On the other hand, fee income is the primary source of revenue. How do you convince the client to pay the higher fee and keep the relationship?

Which recent deals have you followed? Do you agree with the actions taken by the companies?

What were the multiples for the deals?

What is disintermediation?

How does compounding work? Would I be better off with 10% annually or semi? What about 8% semi-annually vs. 10% annually?

Behavioral:

Why would you prefer a pure play bank over a Citigroup or JP Morgan platform (the question can be vice versa depending on which bank interviews you)?

What are your major weaknesses?

Give me three reasons we should NOT hire you.

Tell me about a conflict that you had with your manager in the past. How did you go about resolving it?

Where in your work experience have you demonstrated quantitative abilities?

Give me examples of client interactions.

What makes you different than the other candidates?

What makes our bank different than XXX?

How do you deal with a non cooperative client?

Have you made mistakes in your previous work experience? How did you deal with the situation?

Explain in detail project X in your resume?

Give me an example when you managed to influence your 1) manager 2) your peers. How did you do that?

Do you like to sell? Give me an example when you sold an idea to your management.

Tell me about a situation when you faced a conflict of interest. How did you handle it?

Tell me about a situation when you encountered an unethical business situation and how did you resolve it?

There are many strong applicants from SOM aspiring for a position with our firm. What are the three qualities that distinguish you from many other qualified applicants?

Why do you want to pursue a career in I-banking rather than in Private Equity or Consulting?

Describe a successful associate and how he/she contributes to the team success.

If money was no issue (i.e., you had it all), what would you do with your life?

Tell me something about yourself that I could not find in your resume.

Do you think that you can sustain the lifestyle of an investment banker?

What do you see yourself doing in five years?

What do you look for in a job?

What do you do to relieve stress?

Give me a specific example of teamwork.

Why should you be hired?

What should I be concerned about in hiring you for the summer?

Do you think you are a good salesperson? OK, sell your candidacy.

If you've always wanted to be an Investment Banker then why did you study ____ in college?

Tell me about an interesting news article that you have been following?

What industry/product group interests you the most?

How do you handle working long hours in a high energy workplace? What are you like to work with for several nights without sleep?

What would you do if you didn't get a job at a big bank for the summer?
How would you manage a pool of Analysts?

As a value investor, how would you go about valuing the growth component of a stock?

Do you think it is better for a private equity fund to borrow at the firm or investment holding company level?

What multiples are fine chemical companies transacted at? Commodity chemicals?

Do you feel you are compatible with our culture, specifically those individuals that you have met with today?

If you could play golf with a client, would you let them win?

How have you show integrity in making decisions whether in school or work?

Do you feel your educational background would complement our firm?

Walk me through your resume, highlighting your decision-making process and challenges you encountered along the way.

How has your background prepared you for banking?

What classes have you taken?

Give me an example where you sought out a problem to solve because it represented a challenge for you.

Give me an example where you came up with a creative solution to a problem.

Give me examples of your leadership abilities.

Tell me about a time when you worked in a team and something went wrong.

Tell me about a time you failed? How did you recover?

What are your major accomplishments?

What challenges do you expect to have as a summer associate?

Which groups do you want to work with over the summer? Why?

Tell me something about my firm that I don't already know.

What challenges do you see for our firm in the future?

What do you like to do in your spare time?

What's the best book you've read recently?

What's the best movie you've seen recently?

Are you interviewing with other investment banks?

What will you do if you don't get an offer?

Do you see yourself as someone who likes to start a lot of different tasks or someone who likes to carry one task out to completion?

Are you looking at anything besides banking? Have you interviewed with anyone from those industries?

How would you choose between several offers?

Why NOT (company you're interviewing with)?

You don't seem to have much experience in valuations; how do you plan to address this weakness?

What do you not like about the School of Management?