The 100 Questions.

The technical and fit questions that come up again and again in finance interviews, with answers and short explanations.

How to use this guide. Cover the answer, say yours out loud in under a minute, then check. Mark the ones you missed and come back to them in three days. When you can answer all 100 cleanly, practise saying them under time pressure in the Mandate app.

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Accounting basics

1 **Which statement shows a company's financial position at a single point in time?**

Balance sheet

The balance sheet is a snapshot on one date; the income and cash flow statements cover a period.

2 **Which equation must the balance sheet always satisfy?**

Assets = liabilities + equity

Everything the company owns is funded either by what it owes (liabilities) or by its owners (equity).

3 **Under accrual accounting, revenue is recorded when…**

When it is earned, even if cash hasn't arrived

Accrual accounting matches revenue and expenses to the period they relate to, not to when cash moves.

4 **Accounts receivable is…**

Money customers owe for goods already delivered

It is a current asset: sales made on credit that have not yet been collected.

5 **Accounts payable is…**

A current liability owed to suppliers

It is what the company owes for goods and services it has received but not yet paid for.

6 **Deferred revenue, cash received before a service is delivered, is recorded as…**

A liability

The company owes the service, so it is a liability until it delivers.

7 **Prepaid expenses are classed as…**

A current asset

The company has paid in advance for a future benefit, so it is an asset.

8 **EBITDA is earnings before which items?**

Interest, taxes, depreciation and amortisation

Earnings before interest, taxes, depreciation and amortisation: a rough proxy for operating cash profit.

9 **What are the three sections of the cash flow statement?**

Operating, investing and financing

Operating covers the core business, investing covers capex and acquisitions, and financing covers debt, equity and dividends.

Linking the statements

10 **Net income links to which two places?**

Cash flow statement and retained earnings

Net income starts the cash flow statement and is added to retained earnings on the balance sheet.

11 **Ending cash on the cash flow statement becomes…**

The cash line on the balance sheet

The cash flow statement explains how the cash balance moved from the start to the end of the period.

12 **Why do you add depreciation back on the cash flow statement?**

It reduced profit but used no cash

The cash was spent when the asset was bought; depreciation only spreads that cost over time.

13 **Depreciation rises by $10. It is tax-deductible and the tax rate is 25%. What happens to net income?**

Down $7.50

Pre-tax income falls $10, tax falls $2.50, so net income falls $7.50.

14 **Same case (depreciation up $10, 25% tax). Assume tax is paid in cash. What happens to cash?**

Up $2.50

Net income is down $7.50, but you add back the $10 of non-cash depreciation, so cash is up $2.50 from lower tax.

15 **Same case again. How does the balance sheet balance?**

Assets down $7.50; equity down $7.50

Cash +$2.50 and PP&E −$10 make assets −$7.50. Retained earnings fall $7.50.

16 **A company buys $50 of inventory with cash. What happens to cash flow from operations?**

Down $50

Inventory is working capital. An increase in working capital reduces operating cash flow.

17 **Accounts receivable rises by $20. What is the effect on cash flow from operations?**

Down $20

Revenue was recorded but not yet collected in cash, so operating cash flow is $20 lower.

Enterprise and equity value

18 **Equity value (diluted market capitalisation) is…**

Share price × diluted shares outstanding

Use the market price and diluted shares. Book equity is a different, accounting number.

19 **Enterprise value represents…**

The value of the core business to all investors

It is roughly what you'd pay to buy the whole operating business, regardless of how it is financed.

20 **Which is the basic bridge from equity value to enterprise value?**

Equity value + debt − cash

Add debt and other claims such as preferred stock and non-controlling interest, then subtract cash.

21 **Moving from equity value to enterprise value, cash is…**

Subtracted

Cash is not part of the core business, and a buyer effectively gets it back.

22 **Why is preferred stock added in the bridge to enterprise value?**

It is another investor claim on the business

Enterprise value includes every capital provider, and preferred holders are one of them.

23 **Why is non-controlling interest added to enterprise value?**

EBITDA includes 100% of consolidated subsidiaries

Adding it keeps the numerator consistent with an EBITDA that includes 100% of those subsidiaries.

24 **Why are equity-method investments (stakes in associates) usually subtracted?**

Their profits aren't included in EBITDA

Like cash, they are non-core assets. Subtracting them keeps EV/EBITDA consistent.

25 **Which multiple is mismatched?**

Equity value / EBITDA

EBITDA belongs to all investors, so pair it with enterprise value. Net income pairs with equity value.

26 **Why use diluted rather than basic shares?**

Options and convertibles may become shares

Ignoring dilution overstates the value per share.

Multiples and comparables

27 **Trading comparables value a company by…**

Looking at how similar listed companies are valued

You apply peers' multiples (such as EV/EBITDA) to the company's own metrics.

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28 **Why use EV/EBITDA rather than P/E to compare companies?**

It is largely independent of capital structure

EV and EBITDA sit before financing, so different debt levels don't distort the comparison.

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29 **How do you choose peers for trading comparables?**

Similar sector, size, growth, margins and region

Peers should share the business drivers investors price in.

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30 **"LTM" means…**

Last twelve months

Also called TTM (trailing twelve months).

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31 **Forward multiples use…**

Projected results, usually consensus estimates

Markets price the future, so forward multiples are common, especially for growing companies.

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32 **Why use the median of peer multiples rather than the mean?**

It is less distorted by outliers

One peer at 40x shouldn't drag the whole range up.

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33 **All else equal, a company with higher expected growth tends to trade at…**

A higher P/E

Investors pay more today for faster future earnings growth.

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34 **A fast-growing company has negative earnings. Which multiple makes most sense?**

EV / Revenue

With no earnings, P/E and PEG break down. EV/Revenue still works.

DCF

35 **A DCF values a company as…**

The present value of its future cash flows

Money in the future is worth less than money today, so future cash flows are discounted.

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36 **Which formula gives unlevered free cash flow?**

EBIT × (1 − t) + D&A − capex − ΔNWC

It is the cash the business generates before any payments to lenders or shareholders.

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37 **Why does a DCF use unlevered free cash flow?**

To value the business regardless of financing

It gives the value to all capital providers, before financing choices.

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38 **Should interest expense be deducted when calculating unlevered free cash flow?**

No

Unlevered means before financing. The benefit of debt shows up through the after-tax cost of debt in the WACC.

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39 **Levered free cash flow should be discounted at…**

The cost of equity

Levered cash flow belongs to shareholders, so use the cost of equity. Unlevered uses the WACC.

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40 **How long is a typical DCF projection period?**

About 5 to 10 years

Long enough for growth and margins to settle before the terminal value takes over.

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41 **Which is usually the largest part of a DCF's value?**

The terminal value

Terminal value often makes up well over half of the total.

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42 **Which formula gives a perpetuity growth terminal value?**

Final-year FCF × (1 + g) ÷ (WACC − g)

Next year's cash flow divided by the discount rate minus growth.

WACC and cost of capital

43 **The WACC is…**

The blended required return of debt and equity

It is the discount rate for unlevered free cash flow.

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44 **Which is the WACC formula?**

E/V × cost of equity + D/V × cost of debt × (1 − t)

Each source of capital is weighted by its market value.

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45 **Why is the cost of debt multiplied by (1 − tax rate)?**

Interest is tax-deductible

This is the interest tax shield.

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46 **The cost of equity is usually estimated with…**

CAPM

CAPM: risk-free rate + beta × equity risk premium.

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47 **Beta measures…**

How much a stock moves relative to the market

Beta captures market (systematic) risk, the kind diversification can’t remove.

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48 **A stock has a beta of 1.5. If the market rises 10%, the stock tends to…**

Rise about 15%

On average it moves 1.5x the market, in both directions.

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49 **The equity risk premium is…**

The extra return demanded for holding stocks

Banks typically use estimates of around 4–6% for developed markets.

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50 **The risk-free rate is usually based on…**

A long-term government bond yield, same currency

Match currency and roughly the horizon of the cash flows.

M&A

51 **Which is NOT a common reason for an acquisition?**

Deliberately weakening its own credit rating

A lower credit rating is a risk of some deals, not a goal.

52 **Why do acquirers usually pay a premium over the target's share price?**

To gain control and capture synergies

Control and synergies justify paying more than the trading price.

53 **A sell-side adviser…**

Advises the owners selling the business

The buy-side adviser works for the acquirer.

54 **A teaser is…**

A short, usually anonymous summary for buyers

Interested buyers then sign an NDA to get more information.

55 **Why do buyers sign an NDA before receiving the information memorandum?**

To keep the seller's information confidential

The information memorandum (CIM) contains detailed, sensitive data on the business.

56 **Why might a buyer pay in stock rather than cash?**

Its shares are richly valued and it wants to keep cash

Expensive shares are an attractive currency, and stock keeps cash and debt capacity free.

57 **In an all-stock deal, the target's shareholders…**

Share in the combined company's risk and upside

They receive buyer shares, so they keep exposure to the combined business.

58 **A buyer on 25x earnings buys a target on 15x (including the premium), all in stock. Ignore synergies, fees and purchase accounting. Accretive or dilutive?**

Accretive

The buyer pays with expensive shares for cheaper earnings, so EPS rises (before synergies and fees).

59 **An all-cash deal tends to be accretive when…**

The target's earnings yield beats the after-tax cost of cash

Compare what the target earns with what the cash earned before, or costs to borrow.

LBOs

60 **In a leveraged buyout, a private equity firm…**

Buys a company mostly with debt, repays it, then sells

Debt magnifies the return on the sponsor's equity.

61 **Which makes a company a good LBO candidate?**

Stable cash flow that can service debt

Debt is repaid from cash flow, so stability matters most.

62 **In an LBO, the debt is mainly repaid from…**

The company's own free cash flow

The company's cash flow pays interest and principal.

63 **Using more debt in an LBO usually…**

Raises potential returns and risk

Less equity in means higher returns if things go well, and bigger losses if they don't.

64 **Which is NOT one of the three main drivers of LBO returns?**

Paying a higher entry multiple

Paying more on entry lowers returns. The three drivers are growth, debt paydown and multiple expansion.

65 **All else equal, which most increases a sponsor's IRR?**

A higher exit multiple

A higher exit multiple raises exit equity. A longer hold usually lowers IRR.

66 **Roughly what IRR is 3.0x your money over five years?**

25%

About 25%. 1.25 to the power of 5 is about 3.05.

67 **Roughly what IRR is 2.0x your money over three years?**

26%

About 26%. 1.26 cubed is about 2.0.

68 **Roughly what IRR is 2.0x your money over five years?**

15%

About 15%. 1.15 to the power of 5 is about 2.01.

Debt and leveraged finance

69 **Compared with high-yield bonds, senior secured loans are usually…**

Repaid first, at a lower rate

Senior secured debt ranks first and is backed by assets, so it is cheaper.

70 **A revolving credit facility (revolver) works like…**

A credit line you can draw, repay and redraw

It is used for working capital and liquidity, often undrawn.

71 **How does a Term Loan B usually differ from a Term Loan A?**

TLB is institutional with little amortisation

TLBs dominate leveraged buyouts, with most principal due at maturity.

72 **Most leveraged loans pay interest as…**

A floating base rate plus a spread

High-yield bonds, by contrast, are usually fixed rate.

73 **Which benchmark replaced US dollar LIBOR?**

SOFR

The Secured Overnight Financing Rate. Sterling moved to SONIA.

74 **Maintenance covenants differ from incurrence covenants because they…**

Are tested regularly, not just on certain actions

High-yield bonds usually have only incurrence covenants.

75 **“Covenant-lite” loans…**

Have no financial maintenance covenants

They became standard in many leveraged loan markets.

76 **Yield to maturity is…**

The annual return if held to maturity at today’s price

It accounts for coupons and the gain or loss to par.

Markets and deals

77 **Interest rates rise unexpectedly. What happens to existing bond prices?**

They fall

Existing bonds pay less than new ones, so their prices fall until yields match.

78 **A central bank cuts interest rates. Existing bond prices typically…**

Rise

Lower yields on new bonds make existing higher-coupon bonds worth more.

79 **A bond’s duration measures…**

Sensitivity of price to interest rates

A duration of 7 means about a 7% price fall if yields rise one percentage point.

80 **What is a credit spread?**

Yield above a benchmark such as a government bond

The extra yield investors demand for the issuer’s credit risk.

81 **An inverted yield curve means…**

Short-term yields are above long-term yields

It is often read as a signal of a coming slowdown.

82 **Quantitative easing is when a central bank…**

Buys bonds to push down long-term rates

Quantitative tightening is the reverse: shrinking the balance sheet.

83 **Inflation comes in higher than expected. What typically happens?**

Yields rise; long-duration growth stocks often fall

Higher rates hit the present value of far-off cash flows hardest.

84 **If the dollar strengthens, the dollar value of a US company’s overseas revenue usually…**

Falls

Foreign-currency revenue converts into fewer dollars.

Mental maths

85 **A stock falls 20%, then rises 20%. Overall it is…**

Down 4%

0.8 × 1.2 = 0.96, so down 4%.

86 **You win the face value of one roll of a fair die. What is the expected value?**

3.5

The average of 1 to 6 is 3.5. A trader would pay less than that to have an edge.

87 **You roll two fair dice. What is the probability the total is 7?**

1/6

Six of the 36 combinations sum to 7.

88 **You roll a fair die twice. What is the probability of at least one six?**

11/36

$1 - (5/6)^2 = 1 - 25/36 = 11/36$, about 31%.

89 **A bat and ball cost $1.10. The bat costs $1.00 more than the ball. How much is the ball?**

$0.05

Ball x, bat x + 1: 2x + 1 = 1.10, so x = 0.05.

90 **Lily pads double every day and cover a lake on day 48. When is the lake half covered?**

Day 47

It doubles to full in one day, so the day before.

91 **What is the angle between the hour and minute hands at 3:15?**

7.5°

The minute hand is at 90°. The hour hand has moved a quarter of the way from 3 to 4: 90° + 7.5°.

92 **How many times do a clock's hour and minute hands overlap in 12 hours?**

11

Every 12/11 hours, so 11 times (12:00 counts once).

Fit and your story

93 **Which is the strongest way to answer “Why investment banking?”**

A specific experience that drew you to the work

Interviewers want a real story linked to the actual work, not the rewards.

94 **How long should “walk me through your CV” take?**

About 1 to 2 minutes

Long enough to tell a clear story; short enough to leave room for questions.

95 **A good structure for “Tell me about yourself” is…**

Past, present, then why this role next

Keep it a story that ends with this job.

96 **What is the best way to answer “What is your greatest weakness?”**

A real, fixable weakness and how you’re fixing it

Honesty plus evidence of improvement builds trust.

97 **A good structure for a behavioural story is…**

STAR: situation, task, action, result

It keeps stories concrete and focused on what you did.

98 **In a leadership example, what should you emphasise?**

Your own actions and a measurable result

Say “I”, not just “we”, and quantify the outcome.

99 **Asked about a conflict in a team, you should…**

Show you understood the other side and resolved it

Interviewers test whether you’ll work well on a stressed deal team.

100 **Asked about a failure, the best answer…**

Shows a real failure and what you learned

Self-awareness matters more than the failure itself.

Now say it out loud.

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