

ACF&A Exam Questions

Investment banking

1. What are the main benefits and costs of an IPO?
2. What are the main differences between term loan and revolving loan?
3. Describe the main covenants and their role in a syndicated loan.
4. What are the main levers used by PE manager to enhance the value of their investments (indicate and describe one of them at your choice)?
5. What do we mean by “financial engineering” in an LBO transaction and what are the relationships with the other PE value levers?
6. Describe and indicate the role of the Drag-along (or Tag-along, or Right of First Offer, or Right of First Refusal) in a venture capital and/or private equity deal.
7. Elaborate on the main features of economic crisis and financial distress of the firm (preferably using a matrix representation).
8. What are the features of a hybrid security and the motivations for its issuing?
9. Explain the holdout problem in debt restructuring and the main differences between workout and bankruptcy in managing that issue.
10. What is the carried interest in private equity? Explain even through an example.
11. What are hybrid securities? Which are possible motivations for issuing convertibles?
12. What are the main variables affecting the value of a convertible bond (indicate the variables and the sign of its effect)?
13. Describe the main protections for an investor in a venture capital deal.
14. How can you explain why the discount rate applied by VC investor is much higher than the cost of capital estimated through a market model (as the CAPM)?
15. In a financial distress situation, what are the main benefits and costs of a bankruptcy procedure vs a workout?
16. Indicate the price setting mechanisms in IPO.
17. Describe the book-building mechanism in IPO.
18. What are preferred stocks and what are their functions in venture capital and private equity transactions?
19. Illustrate (better by a numerical example) the holdout problem in the debt restructuring process.
20. Illustrate (in bullet points format) the main steps of the IPO process.
21. Illustrate (in bullet points format) the main steps of the DEBT RESTRUCTURING process.
22. Illustrate – through a graph - a typical firm crisis path.

23. Explain the meaning and analyse the pros and cons of the earnout in an M&A deal.
24. What are the possible motivations for issuing convertibles?
25. What are the differences between an asset and a stock deal in an M&A transaction?
26. How can we explain the acquisition premium in an M&A transaction?
27. What are the main empirical results on value creation in acquisitions?
28. What are the differences between a carve-out and a spin-off?
29. What are the differences between a spin-off and a split-off?
30. What are the tracking stocks?