IB Offer

THE INVESTMENT BANKING INTERVIEW

The IB Interview Cheat Sheet

100+ real technical and behavioral questions, answered, plus a one-page formula sheet and a recruiting playbook. Everything you need to walk into a superday ready.

- Accounting & 3 Statements
- Valuation & DCF
- M&A & LBO
- Behavioral & Fit
- Brain Teasers
- Formula Sheet

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How to use this guide

Investment banking interviews test a narrow, predictable body of knowledge. The same technicals come up across every bulge bracket, elite boutique, and middle market: how the three statements connect, how to value a company, how an LBO makes money, and whether you can stay composed while explaining it out loud.

This cheat sheet collects the questions that actually get asked, with answers tight enough to review the night before a superday. Read it once end to end, then drill the sections you are weakest on until the answers are reflexes. Reading teaches you the answer. Repetition is what lets you deliver it under pressure.

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What is inside

1 BEHAVIORAL & FIT

The story questions

Half of every interview is fit. Have crisp, specific, two-minute answers. Never lead with money or prestige.

Q **Why investment banking?**

Tie it to genuine interest in how companies are valued, financed, and sold, the skills you will build fast (modeling, deal exposure), and where it leads. **Be specific and personal.** Avoid money, prestige, and generic "fast-paced environment" lines.

Q **Walk me through your resume.**

A 90-second narrative, not a recital. Start where you got interested in finance, connect each step logically, and land on why banking is the next move. Show momentum and intent.

Q **Why our bank specifically?**

Name real reasons: deals or sectors the group is known for, people you have spoken with, the platform's strengths. Generic answers that fit any bank signal you did no homework.

Q **What is your greatest weakness?**

Give a real one with a concrete fix in progress. Avoid the humblebrag ("I work too hard"). Show self-awareness and improvement.

Q **Tell me about a time you led a team.**

Use STAR (Situation, Task, Action, Result). Quantify the result. Emphasize what you specifically did, not what the team did.

Q **Walk me through a recent deal you find interesting.**

Pick a deal from the last 6 months, ideally in the group's sector. Cover the parties, rationale, rough size, and your view on whether it makes sense. Read 2 to 3 deals deeply before any interview.

Q **Where do you see yourself in five years?**

Show commitment to the analyst path and learning, with realistic ambition. You do not need to claim you will be a lifer, but do not say "private equity in two years" to a banker.

Q **Why should we hire you over other candidates?**

Three pillars: technical readiness, evidence you can grind, and culture fit. Back each with one specific proof point.

2 ACCOUNTING & THE 3 STATEMENTS

The foundation

If you cannot link the statements cold, nothing else lands. This is the single most tested area.

Q What are the three financial statements?

Income statement (revenue to net income over a period), **balance sheet** (assets = liabilities + equity at a point in time), and **cash flow statement** (cash in and out, reconciling net income to change in cash).

Q How do the three statements link?

Net income flows from the income statement to the top of the cash flow statement and into retained earnings on the balance sheet. The cash flow statement's ending cash becomes the cash line on the balance sheet. Everything ties back together.

Q Walk me through what happens when depreciation increases by 10 (35% tax).

IS: pre-tax income down 10, net income down 6.5. **CFS:** start at net income minus 6.5, add back 10 of non-cash depreciation, so cash up 3.5. **BS:** cash up 3.5, PP&E down 10 (asset side down 6.5); retained earnings down 6.5. Balances.

Q If you could use only one statement, which?

The cash flow statement. It shows the actual cash a business generates, which net income can mask through non-cash items and accruals.

Q What is working capital?

Current assets minus current liabilities. **Operating (net) working capital** excludes cash and debt: receivables plus inventory minus payables. An increase in NWC uses cash.

Q Cash vs accrual accounting?

Cash recognizes revenue and expenses when cash moves. Accrual recognizes them when earned or incurred, regardless of cash timing. The statements use accrual; the cash flow statement reconciles back to cash.

Q Deferred revenue vs accounts receivable?

Deferred revenue is cash collected before the product or service is delivered (a liability). Accounts receivable is revenue earned but not yet collected (an asset).

Q What is goodwill?

An intangible asset created when an acquirer pays more than the fair value of the target's net identifiable assets. It is not amortized but is tested annually for impairment.

Q

What is a deferred tax liability?

A future tax obligation from timing differences between book and tax accounting, often from using accelerated depreciation for taxes versus straight-line for books.

Q

What is EBITDA and why use it?

Earnings before interest, taxes, depreciation, and amortization. It approximates operating cash flow and strips out capital structure and accounting choices, making it useful for comparing companies. Its flaw: it ignores capex and changes in working capital.

Q

A 100 dollar inventory purchase in cash, how does it flow?

No income statement impact yet. CFS: cash down 100. BS: inventory up 100, cash down 100, so assets net flat and it balances. The expense hits the IS only when the inventory is sold (as COGS).

3 ENTERPRISE VS EQUITY VALUE

The bridge

A favorite trap. Know the bridge both directions and which multiples pair with which.

Q **Difference between enterprise value and equity value?**

Equity value is the value to shareholders (market cap). **Enterprise value** is the value of the whole business to all capital providers, independent of how it is financed.

Q **Walk me through the bridge.**

Enterprise value = equity value + total debt + preferred stock + minority interest, minus cash and equivalents. Reverse it to go from EV back to equity value.

Q **Why subtract cash?**

Cash is a non-operating asset. An acquirer effectively uses the target's cash to fund the purchase, so it reduces the net cost of the business. EV reflects the operating business only.

Q **Why is EV capital-structure neutral?**

It includes both debt and equity, so swapping one for the other does not change it. That makes EV the right numerator when comparing companies with different leverage.

Q **If a company raises 100 of debt, what happens to EV?**

Nothing. Debt rises by 100 and cash rises by 100, which net to zero in the bridge. Equity value is also unchanged at the moment of issuance.

Q **Which multiples pair with EV vs equity value?**

EV pairs with pre-debt metrics: EV/EBITDA, EV/EBIT, EV/Revenue. **Equity value** pairs with post-debt metrics: P/E and P/B. Never mix (for example EV/net income is wrong).

Q **What is minority interest and why add it?**

When a company owns more than 50% of a sub, it consolidates 100% of the sub's financials (including EBITDA), but does not own all the equity. Adding minority interest to EV keeps the numerator consistent with the fully consolidated denominator.

Q **Why use EV/EBITDA over P/E?**

EV/EBITDA is capital-structure neutral and ignores non-cash D&A and tax differences, so it compares operating performance more cleanly across companies. P/E is distorted by leverage and one-time items.

4 VALUATION: COMPS & PRECEDENTS

Relative valuation

Three core methods: trading comps, precedent transactions, and the DCF. Know how they differ and rank.

Method	What it is	Tends to give
Trading comps	Multiples of similar public companies, today	Lowest (no control premium)
Precedent transactions	Multiples paid in past M&A deals	Higher (includes control premium)
DCF	Present value of projected free cash flows	Varies; assumption-driven

Q **What are trading comparables?**

Valuing a company using the current trading multiples (EV/EBITDA, P/E) of similar public companies, screened by industry, size, and growth. It reflects what the public market pays today.

Q **What are precedent transactions, and how do they differ?**

Multiples paid in past acquisitions of similar companies. They are backward-looking and include a **control premium**, so they usually produce higher values than trading comps.

Q **Which method usually gives the highest value?**

Precedent transactions, because acquirers pay a premium for control and expected synergies. A DCF can swing higher or lower depending on assumptions.

Q **What is a control premium?**

The extra amount, typically 20 to 40%, an acquirer pays above the unaffected share price to gain control and the ability to direct the company and capture synergies.

Q **What are the most common multiples?**

EV/EBITDA and EV/EBIT (most common overall), EV/Revenue (for unprofitable or high-growth firms), and P/E (equity-level). Industry-specific multiples exist too, such as EV/EBITDAR for airlines.

Q **When is each method most appropriate?**

Comps for a market-based read on a public peer set, precedents when an actual sale or control transaction is in view, and a DCF when you have a credible multi-year forecast and want intrinsic value.

Q

What is a football field?

A chart showing the valuation range each method produces as horizontal bars, so you can see where the methods overlap and triangulate a defensible range.

5 THE DCF

Intrinsic valuation

The most worked-on technical. Be able to walk through it in five clean steps and defend every assumption.

Q **Walk me through a DCF.**

1. Project unlevered free cash flow for 5 to 10 years. **2.** Calculate WACC. **3.** Discount the cash flows to present value at WACC. **4.** Calculate and discount terminal value. **5.** Sum to get enterprise value, then bridge to equity value and per-share price.

Q **Why use unlevered free cash flow?**

Unlevered FCF is available to all capital providers and excludes financing effects, so it pairs with WACC and produces enterprise value. It keeps the valuation independent of capital structure.

Q **How do you calculate unlevered free cash flow?**

EBIT × (1 – tax rate) + D&A – capex – increase in net working capital. Start from operating profit, tax it, add back non-cash D&A, then subtract reinvestment.

Q **What is WACC?**

The blended required return across debt and equity, weighted by their share of capital. Formula: **WACC = (E/V)Re + (D/V)Rd(1 – t)**. It is the discount rate for unlevered cash flows.

Q **How do you find the cost of equity?**

CAPM: **Re = Rf + β(Rm – Rf)**. Risk-free rate plus beta times the equity risk premium. Beta measures the stock's volatility relative to the market.

Q **What is terminal value and how do you calculate it?**

The value of cash flows beyond the projection window. Two methods: **Gordon growth** = final-year FCF × (1 + g) / (WACC – g), and **exit multiple** = terminal-year EBITDA × a chosen EV/EBITDA. Terminal value often drives the majority of a DCF.

Q **Levered vs unlevered free cash flow?**

Unlevered FCF is before interest and available to all investors (discount at WACC to get EV). Levered FCF is after interest, available only to equity holders (discount at cost of equity to get equity value directly).

Q **What discount rate goes with each?**

Unlevered FCF with WACC. Levered FCF with the cost of equity. Matching the cash flow to the right rate is a common trap.

Q **What are the biggest weaknesses of a DCF?**

It is highly sensitive to assumptions, especially the terminal value, growth rate, and discount rate. Small changes swing the output a lot, which is why bankers triangulate with comps and precedents.

Q **How do you get from enterprise value to share price?**

Subtract net debt (and preferred and minority interest) from EV to get equity value, then divide equity value by fully diluted shares outstanding.

Q **If WACC rises, what happens to the valuation?**

It falls. A higher discount rate reduces the present value of every future cash flow and shrinks the terminal value, so enterprise value drops.

6 M&A & ACCRETION / DILUTION

Merger math

Merger models reduce to one question banks love: does the deal raise or lower the buyer's EPS?

Q What is accretion / dilution?

Whether a deal increases (accretive) or decreases (dilutive) the acquirer's earnings per share. Compare pro forma combined EPS to the acquirer's standalone EPS.

Q Quick test for an all-stock deal?

Compare P/E ratios. If the acquirer's P/E is higher than the target's, the deal is accretive. If lower, it is dilutive. A higher-multiple buyer using its expensive stock to buy cheaper earnings adds EPS.

Q How does financing affect accretion / dilution?

Compare the after-tax cost of the financing to the target's earnings yield (inverse of its P/E). Cash and debt are usually cheaper than equity (low rates after tax), so cash or debt deals are more often accretive than stock deals.

Q Why do companies acquire?

Synergies (cost or revenue), growth, market share, new products or geographies, acquiring talent or technology, and sometimes defensive or tax reasons. Good answers tie the rationale to value creation.

Q Revenue vs cost synergies?

Cost synergies (cutting duplicate overhead, facilities, headcount) are easier to achieve and more credible. Revenue synergies (cross-selling, pricing) are harder to realize and discounted by the market.

Q What is purchase price allocation?

Allocating the price paid to the fair value of acquired assets and liabilities. Anything above net identifiable asset value becomes goodwill. It also creates write-ups and new deferred taxes.

Q What is a merger model?

A model that combines acquirer and target financials, layers in deal financing and synergies, and outputs accretion/dilution and credit metrics to test whether the deal works.

Q

What makes a deal accretive?

Cheap financing relative to the earnings acquired, meaningful synergies, and a buyer trading at a higher multiple than the target. The combined entity must earn more per share than the acquirer did alone.

7 LBO & THE PAPER LBO

Private equity math

The LBO is the PE-style question. Know the returns drivers and be ready to do a paper LBO out loud.

Q **What is an LBO?**

Acquiring a company using a large amount of debt and a smaller slice of equity. The target's cash flows service the debt; the sponsor exits in 3 to 7 years aiming for a strong return on the equity invested.

Q **Why does leverage boost returns?**

A smaller equity check controls the same asset, so any increase in equity value is spread over fewer dollars invested. Paying down debt with the company's cash flow also converts enterprise value into equity value over time.

Q **Walk me through a paper LBO.**

1. Entry: EBITDA × entry multiple = purchase price; split into debt and equity. **2.** Project EBITDA growth and use free cash flow to pay down debt. **3.** Exit: exit-year EBITDA × exit multiple = exit EV; subtract remaining debt = exit equity. **4.** Returns: exit equity ÷ entry equity = MOIC; convert to IRR.

Q **What are the three drivers of LBO returns?**

Debt paydown (deleveraging), **EBITDA growth** (revenue growth and margin expansion), and **multiple expansion** (exiting at a higher multiple than entry). The first two are in the sponsor's control; the third is riskier.

Q **IRR vs MOIC?**

MOIC (multiple of invested capital) is total cash returned divided by cash invested, ignoring time. IRR is the annualized return that accounts for timing. A 3.0x MOIC over 3 years is a far better IRR than 3.0x over 7 years.

Q **Rule of thumb: 2x in 3 years is roughly what IRR?**

About 26%. Useful anchors: 2x in 3y ≈ 26%, 2x in 5y ≈ 15%, 3x in 5y ≈ 25%, 3x in 3y ≈ 44%. Memorize a few to sanity-check a paper LBO instantly.

Q **What makes a good LBO candidate?**

Stable, predictable cash flows, low existing debt, a strong market position, low capex needs, and clear opportunities to cut costs or grow. Cash flow stability is what supports the leverage.

Q **What is a cash flow sweep?**

A requirement to use excess free cash flow to pay down debt faster than the mandatory schedule, accelerating deleveraging and boosting equity returns.

Q **Leverage ratio vs coverage ratio?**

Leverage = Debt / EBITDA (how much debt relative to earnings). Coverage = EBITDA / interest (ability to service that debt). Lenders set limits on both.

Q **Typical leverage and hold period?**

Often roughly 4x to 6x EBITDA of debt at entry, with a hold of about 3 to 7 years. Levels vary with credit markets and the target's cash-flow stability.

8 BRAIN TEASERS

Stay calm and think out loud

These test composure and structure, not genius. Narrate your logic; that is what is being graded.

Q **What angle do clock hands form at 3:15?**

7.5 degrees. The minute hand is at 90 degrees; the hour hand has moved a quarter of the way from 3 to 4, which is 7.5 degrees past the 3. Difference is 7.5.

Q **A bat and a ball cost 1.10 dollars; the bat costs 1.00 more than the ball. Ball?**

5 cents. If the ball is x, the bat is x + 1.00, so 2x + 1.00 = 1.10, x = 0.05. The instinctive "10 cents" is wrong.

Q **Probability two dice sum to 6?**

5/36. Favorable pairs are (1,5),(2,4),(3,3),(4,2),(5,1) = 5, out of 36 total outcomes.

Q **How many golf balls fit in a 747?**

There is no exact answer; structure it. Estimate cabin volume, subtract for seats and structure, divide by the volume of a golf ball, apply a packing-efficiency factor. State assumptions and land on an order of magnitude.

Q **You have a 3-gallon and a 5-gallon jug; measure 4 gallons.**

Fill the 5, pour into the 3 (2 left in the 5), empty the 3, pour the 2 into the 3, refill the 5, top off the 3 (needs 1), leaving 4 in the 5.

Q **Estimate the market size of X.**

Top-down (population × adoption × price) or bottom-up (units × price). State each assumption, keep round numbers, and sanity-check the final figure. The method matters more than the number.

9 FORMULA SHEET

Memorize these

The formulas that come up most. Know them cold so the interview is about reasoning, not recall.

UNLEVERED FREE CASH FLOW

$$EBIT \times (1 - t) + D\&A - Capex - \Delta NWC$$

Discount at WACC to get enterprise value.

WACC

$$(E/V)\cdot Re + (D/V)\cdot Rd\cdot(1 - t)$$

Blended cost of capital; debt is tax-deductible.

COST OF EQUITY (CAPM)

$$Re = Rf + \beta\cdot(Rm - Rf)$$

Risk-free + beta × equity risk premium.

TERMINAL VALUE (GORDON)

$$FCF_n\cdot(1 + g) / (WACC - g)$$

Perpetuity growth; g below long-run GDP.

ENTERPRISE VALUE BRIDGE

$$\text{Equity Val} + \text{Debt} + \text{Pref} + \text{MI} - \text{Cash}$$

Reverse it to go from EV to equity value.

MOIC

$$\text{Exit Equity Value} / \text{Invested Equity}$$

Cash returned per dollar in; ignores time.

IRR (RULE OF THUMB)

$$2x/3y \approx 26\% \cdot 3x/5y \approx 25\%$$

Memorize a few MOIC-to-IRR anchors.

LEVERAGE / COVERAGE

$$\text{Debt} / \text{EBITDA} \cdot \text{EBITDA} / \text{Interest}$$

How much debt, and ability to service it.

KEY MULTIPLES

$$EV/EBITDA \cdot EV/EBIT \cdot EV/Rev \cdot P/E$$

EV with pre-debt metrics; P/E with equity.

ACCRETION / DILUTION (STOCK)

$$\text{Acquirer P/E vs Target P/E}$$

Higher buyer P/E ⇒ deal is accretive.

10 BONUS: RECRUITING PLAYBOOK

Get the interview first

Technicals win the interview. Networking and timing win the interview invite.

Stage	When	What to do
Freshman / Sophomore	Year 1 to 2	Build a resume, learn the basics, join the finance club, start networking early.
On-cycle (juniors)	~12 to 18 months before start	Bulge brackets and elite boutiques recruit summer analysts very early. Be technically ready ahead of schedule.
Off-cycle / boutiques	Rolling	Smaller banks recruit later and value networking heavily. A strong route for non-targets.
Full-time	After internships	Most seats are filled from the summer class; convert your internship.

The cold email that gets replies (3 to 4 lines):
1. Who you are in one line (school, year, genuine interest).
2. Why *them* specifically (their group, a deal, a shared background).
3. A low-friction ask: "Would you have 10 to 15 minutes for a quick call?"
4. Keep it short, make it easy to say yes, and follow up once after a week.

Best questions to ask on a coffee chat: What does your group work on right now? How did you break in? What separates analysts who do well? What do you wish you had known recruiting? End by asking who else you should speak with.