

BASIC TECHNICAL INVESTMENT BANKING PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

<https://basictechinvestmentbanking.examzify.com>



Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	15

SAMPLE

Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

SAMPLE

- 1. Which debt type is usually amortized?**
 - A. Bank debt
 - B. High-yield debt
 - C. Both
 - D. Neither
- 2. Which statement best distinguishes Unlevered Free Cash Flow from Levered Free Cash Flow?**
 - A. Unlevered FCF is derived from EBIT after tax, plus non-cash charges, minus CapEx and changes in working capital; Levered FCF starts from CFO and subtracts CapEx
 - B. Unlevered FCF includes interest expense
 - C. Levered FCF ignores taxes
 - D. They are calculated identically
- 3. For private sellers, which valuation methodologies are weighed more heavily?**
 - A. Premiums over current share price
 - B. Traditional methodologies (DCF, comps, etc.)
 - C. Market sentiment indicators
 - D. Inventory valuation
- 4. In a merger model, which metric is used to judge whether the deal is favorable for shareholders?**
 - A. Earnings per share (EPS)
 - B. Revenue growth
 - C. Market cap
 - D. Debt ratio
- 5. What would you use with Unlevered Free Cash Flow multiples?**
 - A. Equity Value
 - B. Net Debt
 - C. Enterprise Value
 - D. Levered Free Cash Flow

6. What is a dividend recapitalization?

- A. The company borrows money solely to pay a special dividend to the PE firm.
- B. The company borrows to fund a normal dividend to all shareholders.
- C. The company repays existing debt with cash.
- D. The company issues equity to pay a dividend

7. In a dividend recap, which balance sheet change occurs?

- A. Debt decreases and Shareholders' Equity increases
- B. Assets decrease and Liabilities increase
- C. Both sides of the balance sheet remain balanced with no change
- D. Debt increases and Shareholders' Equity decreases

8. Can precedent transactions sometimes not yield a higher value than comparables?

- A. They always produce higher values.
- B. Sometimes not the case when there is a mismatch between the M&A market and the public market.
- C. They always produce lower values.
- D. They are irrelevant to valuation.

9. Which statement about terminal value methods is accurate?

- A. Multiples Method always yields a higher valuation
- B. Gordon Growth always yields a higher valuation
- C. They always yield the same value
- D. It's hard to generalize; both depend on the assumptions you make. The Multiples Method tends to be more variable.

10. Following the depreciation change, what happens to Shareholders' Equity and Net Income?

- A. Decreases by \$6
- B. Increases by \$6
- C. Unchanged
- D. Decreases by \$10

Answers

SAMPLE

1. A
2. A
3. B
4. A
5. C
6. A
7. D
8. B
9. D
10. D

SAMPLE

Explanations

SAMPLE

1. Which debt type is usually amortized?

- A. Bank debt
- B. High-yield debt
- C. Both
- D. Neither

Amortization means paying down the loan principal gradually over time rather than all at once at the end. Bank debt, such as term loans, is typically structured with scheduled principal repayments over the life of the loan, so it is usually amortized. High-yield debt, in contrast, is generally issued as a bond with interest payments and a single principal repayment at maturity, so it is not amortized. While there are exceptions in certain facilities, the standard practice is that bank debt is the one usually amortized.

2. Which statement best distinguishes Unlevered Free Cash Flow from Levered Free Cash Flow?

- A. Unlevered FCF is derived from EBIT after tax, plus non-cash charges, minus CapEx and changes in working capital; Levered FCF starts from CFO and subtracts CapEx
- B. Unlevered FCF includes interest expense
- C. Levered FCF ignores taxes
- D. They are calculated identically

The difference comes down to what cash flow you're measuring: cash flow available to all capital providers (debt and equity) versus cash flow available to equity after debt payments. Unlevered Free Cash Flow uses EBIT after tax (NOPAT) as the starting point, adds back non-cash charges, and then subtracts capital expenditures and changes in working capital. This shows the cash generated by the firm's assets before any financing decisions, i.e., before interest and debt. It represents the cash that would be available to all providers of capital. Levered Free Cash Flow starts from cash flow from operations (CFO) and then subtracts capital expenditures. CFO already reflects taxes and interest and other operating items, so after subtracting CapEx you get the cash flow that remains for equity holders after debt service. This is cash flow to equity, not to all capital providers. That's why the stated approach is correct: $UFCF = EBIT \text{ after tax} + \text{non-cash charges} - CapEx - \Delta WC$; $LFCF = CFO - CapEx$. The other statements misstate whether interest or taxes are included or imply identical calculations, which they are not.

3. For private sellers, which valuation methodologies are weighed more heavily?

- A. Premiums over current share price
- B. Traditional methodologies (DCF, comps, etc.)**
- C. Market sentiment indicators
- D. Inventory valuation

Private sellers don't have a readily observable market price for their equity, so valuation focuses on the business's fundamentals rather than market chatter. Traditional methodologies like discounted cash flow and comparable company analysis anchor value in what the company is expected to generate in cash and how similar businesses are valued in real transactions. DCF translates future cash flows into a present value, reflecting growth, profitability, and risk, while comps provide a reality check against observable multiples from similar entities, giving a sense of value relative to peers. The other approaches rely on inputs that aren't readily available or reliable for a private company. A premium over a current share price presumes there is a current market price to exceed, which private sellers don't have. Market sentiment indicators depend on public trading activity and investor mood, which don't apply to a private, illiquid company. Inventory valuation is an accounting measure of assets on hand and doesn't by itself capture the full enterprise value of the business.

4. In a merger model, which metric is used to judge whether the deal is favorable for shareholders?

- A. Earnings per share (EPS)**
- B. Revenue growth
- C. Market cap
- D. Debt ratio

The main idea here is that the most direct way to gauge how a merger affects shareholders is earnings per share. EPS shows how much profit is attributable to each share after the deal, incorporating both the combined earnings and any dilution from new shares or other adjustments in share count. By comparing the pro forma EPS after the merger to the stand-alone EPS before it, you can tell if the deal is accretive (increases EPS) or dilutive (reduces EPS) for shareholders. If the post-deal EPS is higher, that indicates a favorable outcome for shareholders on a per-share basis. Revenue growth, market capitalization, and debt ratio matter for overall value and risk, but they don't directly measure how the deal changes earnings available to each share, which is why EPS is the best answer for evaluating shareholder benefit in a merger model.

5. What would you use with Unlevered Free Cash Flow multiples?

- A. Equity Value
- B. Net Debt
- C. Enterprise Value**
- D. Levered Free Cash Flow

Unlevered Free Cash Flow multiples are used with Enterprise Value because these cash flows belong to all providers of capital—both debt and equity—before any debt service. Free cash flow to the firm represents the cash the business generates that is available to pay lenders and shareholders after operating needs and capital expenditures are covered, so the appropriate valuation anchor is the value of the entire enterprise. That value is Enterprise Value, which reflects debt, equity, and other claims on the business. Equity Value would pair with cash flows that are after debt service (levered), since those flows go to shareholders. Net Debt is part of how you compute Enterprise Value, not the multiple basis itself. Levered Free Cash Flow is cash flow to equity after debt payments, so it aligns with equity-based valuations rather than UFCF multiples.

6. What is a dividend recapitalization?

- A. The company borrows money solely to pay a special dividend to the PE firm.
- B. The company borrows to fund a normal dividend to all shareholders.
- C. The company repays existing debt with cash.
- D. The company issues equity to pay a dividend

A dividend recapitalization is when a company borrows new money specifically to pay a large, one time dividend to its shareholders—typically the private equity sponsor. It uses debt to extract value from the business rather than using profits or issuing equity, so the company's balance sheet grows more leveraged while still continuing operations. That's why the best match is borrowing money to fund a special dividend to the PE firm. The other options describe different actions: repaying existing debt with cash would reduce leverage, not pay a dividend; funding a normal dividend to all shareholders isn't about a one-time recap via new debt; issuing equity to pay a dividend would dilute ownership rather than leverage debt to payout.

7. In a dividend recap, which balance sheet change occurs?

- A. Debt decreases and Shareholders' Equity increases
- B. Assets decrease and Liabilities increase
- C. Both sides of the balance sheet remain balanced with no change
- D. Debt increases and Shareholders' Equity decreases

A dividend recap works by funding a large dividend with new debt. The company issues debt, which increases liabilities (debt). That cash is then paid out to shareholders as the dividend, which reduces cash, so assets stay roughly flat. The payout reduces shareholders' equity because it lowers retained earnings (the earnings portion of equity that gets distributed). So the net effect is higher debt and lower equity, with assets about unchanged.

8. Can precedent transactions sometimes not yield a higher value than comparables?

- A. They always produce higher values.
- B. Sometimes not the case when there is a mismatch between the M&A market and the public market.
- C. They always produce lower values.
- D. They are irrelevant to valuation.

Precedent transactions typically carry a control premium and reflect deal-specific synergies, which can push values above public comps. But this isn't guaranteed. If there's a misalignment between the M&A market and the public market, the prices seen in past deals may not end up higher than what the public-market multiples imply. For instance, public markets might be pricing in strong growth or undervalued risk in a way that buyers in the M&A market can't capture due to financing constraints, deal friction, or competitive dynamics. In those conditions, the transaction-based value can be the same as or even below the comparable-based value. So it's entirely possible for precedent transactions to not yield a higher value when the M&A market and public market diverge.

9. Which statement about terminal value methods is accurate?

- A. Multiples Method always yields a higher valuation
- B. Gordon Growth always yields a higher valuation
- C. They always yield the same value
- D. It's hard to generalize; both depend on the assumptions you make. The Multiples Method tends to be more variable.**

Terminal value calculations rely on the assumptions you choose, and different methods react in different ways. The Multiples Method uses current market multiples applied to a financial metric, so the terminal value reflects how peers and the market are valuing the business right now. Those multiples can swing with sentiment, sector trends, and growth expectations, making the terminal value from this method quite variable. The Gordon Growth Model, on the other hand, assumes a perpetual, constant growth rate into infinity and discounts that stream at the required return. This approach is highly sensitive to the growth rate and the discount rate; small changes can lead to large shifts in value, and it assumes stable, indefinite growth. Because these methods depend on different kinds of inputs—market-based multiples versus growth and discount parameters—it's not sensible to claim one always yields a higher value. Generalizing across firms and time is difficult. In practice, the Multiples Method tends to be more variable due to fluctuating market valuations, while the Gordon Growth Model carries its own sensitivities to its growth and discount inputs.

10. Following the depreciation change, what happens to Shareholders' Equity and Net Income?

- A. Decreases by \$6
- B. Increases by \$6
- C. Unchanged
- D. Decreases by \$10**

Depreciation is an expense. When depreciation changes upward, expenses rise, so profit (net income) drops by that amount. Net income feeds into retained earnings, which is part of Shareholders' Equity, so a lower net income reduces Shareholders' Equity by the same amount. In this case, the depreciation change lowers Net Income by 10 and, through retained earnings, lowers Shareholders' Equity by 10. (If you're accounting for taxes, the net income drop would be depreciation multiplied by (1 minus the tax rate).)

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://basictechinvestmentbanking.examzify.com>

We wish you the very best on your exam journey. You've got this!

SAMPLE