

CORPORATE BANKING INTERVIEW PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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

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1. What is the purpose of liquidity buffers under Basel III?

- A. To ensure banks can meet regular deposit withdrawals during normal times.
- B. To ensure banks have enough high-quality liquid assets to meet short-term obligations during stress.
- C. To maximize return on equity.
- D. To regulate interest rates for the economy.

2. How is Days Sales Outstanding (DSO) calculated?

- A. $AR / (Revenue * Days \text{ in year})$
- B. $AR / Revenue$
- C. $AR * (Days \text{ in year}) / Revenue$
- D. $Revenue / AR$

3. What does EBIT stand for?

- A. Earnings Before Interest and Taxes
- B. Earnings Before Interest and Taxes and Depreciation
- C. Equity Before Interest Taxes
- D. Economic Benchmark of Income Tax

4. Which statement defines loan-to-value (LTV) in collateral analysis?

- A. LTV = loan amount divided by appraised collateral value.
- B. LTV = collateral value divided by loan amount.
- C. LTV = loan amount divided by appraised collateral value.
- D. LTV = debt service divided by cash flow.

5. Selling 100 units of inventory causes pretax income to:

- A. Increase by 100
- B. Stay the same
- C. Decrease by 100
- D. Decrease by 25

- 6. How would you approach a due diligence process for a potential syndicated loan?**
- A. Review only legal/tax considerations
 - B. Gather financials, assess business model and management; review legal/tax, existing debt, collateral, compliance, and coordinate with the syndication desk on terms
 - C. Approve the loan without syndication desk involvement
 - D. Focus solely on collateral value
- 7. Total assets change after selling 100 units of inventory is:**
- A. Decrease by 75
 - B. Increase by 75
 - C. No change
 - D. Increase by 25
- 8. What are the typical components of a term sheet in corporate lending?**
- A. Only loan amount and interest rate.
 - B. Borrower's annual salary.
 - C. Facility amount, tenor, amortization, interest rate, fees, covenants, collateral, conditions precedent, and participant lenders.
 - D. Marketing budget.
- 9. Which item is not typically managed by Asset-Liability Management (ALM)?**
- A. Marketing strategy
 - B. Interest rate risk
 - C. Currency risk
 - D. Liquidity risk
- 10. A cash sweep is typically triggered by which condition?**
- A. Only at the loan's maturity
 - B. When the borrower elects, regardless of cash flow
 - C. When interest rates fall below a threshold
 - D. When excess cash is available after meeting required debt service and reserves, often tied to covenant triggers

Answers

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

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Explanations

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1. What is the purpose of liquidity buffers under Basel III?

- A. To ensure banks can meet regular deposit withdrawals during normal times.
- B. To ensure banks have enough high-quality liquid assets to meet short-term obligations during stress.**
- C. To maximize return on equity.
- D. To regulate interest rates for the economy.

Liquidity buffers under Basel III are about resilience in stress. Banks must hold a stock of high-quality liquid assets (HQLA) that can be quickly turned into cash with minimal loss. This stock is designed to cover net cash outflows over a 30-day stressed period, so the bank can meet short-term obligations even if funding markets tighten or freeze. The goal is to keep the bank solvent and able to operate during crises, not to fund ordinary day-to-day withdrawals or to pursue higher profits, and it isn't about setting or regulating interest rates.

2. How is Days Sales Outstanding (DSO) calculated?

- A. $AR / (Revenue * Days\ in\ year)$**
- B. $AR / Revenue$
- C. $AR * (Days\ in\ year) / Revenue$
- D. $Revenue / AR$

*DSO measures how many days on average it takes to collect what customers owe. To get that, you divide the accounts receivable by the average daily sales. If you only have annual revenue, the average daily sales is Revenue divided by the number of days in the year, so $DSO = AR / (Revenue / DaysInYear) = AR * DaysInYear / Revenue$. This yields a result in days, which is what DSO represents. For example, with $AR = 200$, $Revenue = 1,000$, and 365 days, $DSO = 200 * 365 / 1000 = 73$ days. The option that divides AR by Revenue and then by Days in year would give a value with the wrong units (1/day) and not represent a days measure, so it's not correct.*

3. What does EBIT stand for?

- A. Earnings Before Interest and Taxes**
- B. Earnings Before Interest and Taxes and Depreciation
- C. Equity Before Interest Taxes
- D. Economic Benchmark of Income Tax

EBIT stands for Earnings Before Interest and Taxes. It measures a company's operating profitability by focusing on earnings generated from core operations, before accounting for interest expenses on debt and income taxes. In calculation terms, you take revenue and subtract operating costs, with depreciation and amortization treated as part of those operating costs. This makes EBIT a useful gauge of how well the business itself performs, independent of how it's financed or taxed. The option that adds depreciation to the phrase would describe EBITDA, not EBIT, since EBITDA excludes depreciation and amortization. The other phrases don't correspond to standard financial terms. In practice, EBIT is often used in valuations and performance comparisons (for example, in the EV/EBIT multiple) because it isolates operating performance from financing and tax effects.

4. Which statement defines loan-to-value (LTV) in collateral analysis?

- A. LTV = loan amount divided by appraised collateral value.
- B. LTV = collateral value divided by loan amount.
- C. LTV = loan amount divided by appraised collateral value.**
- D. LTV = debt service divided by cash flow.

LTV in collateral analysis measures how much of the collateral's value is financed by the loan. It is calculated by dividing the loan amount by the appraised value of the collateral. This ratio shows the portion of the collateral that is encumbered by the loan; a higher LTV means more risk for the lender because a larger share of the collateral's value is tied up in debt. Using the appraised collateral value is important because it reflects current market value, not just purchase price or other estimates, which helps assess risk accurately. The other forms—collateral value divided by the loan amount or any measure based on debt service and cash flow—do not express how large the loan is relative to the collateral, and thus aren't LTV.

5. Selling 100 units of inventory causes pretax income to:

- A. Increase by 100
- B. Stay the same
- C. Decrease by 100**
- D. Decrease by 25

When inventory is sold, the cost of those goods is recognized as an expense called cost of goods sold. Inventory is an asset, and selling it moves that asset into an expense on the income statement. For 100 units, the cost recognized as COGS reduces pretax income by that amount. If there were additional revenue from the sale, pretax income could rise, but with the given framing (emphasizing the cost recognition), the impact shown is a decrease of 100. The other outcomes would require different assumptions about the sale price or margins (for example, revenue exceeding cost would offset and could raise pretax income; a margin below cost could lower it by more or less than 100, or yield no change if revenue exactly offsets COGS).

6. How would you approach a due diligence process for a potential syndicated loan?

- A. Review only legal/tax considerations
- B. Gather financials, assess business model and management; review legal/tax, existing debt, collateral, compliance, and coordinate with the syndication desk on terms**
- C. Approve the loan without syndication desk involvement
- D. Focus solely on collateral value

In syndicated lending, due diligence is a holistic credit assessment that weighs financial strength, business viability, governance, and legal risk, while also shaping how the loan will be structured and distributed through the syndication desk. The best approach pulls together financials, a clear view of the business model and management credibility, and a thorough legal/tax review. It also checks existing debt and any liens or guarantees, evaluates collateral adequacy and enforceability, and confirms compliance with regulatory and internal policies. Crucially, it brings in coordination with the syndication desk to align on terms, covenants, pricing, and the distribution plan, ensuring the deal can be syndicated effectively and meets risk and return targets. Other options are too narrow. Focusing only on legal/tax misses the core credit analysis—cash flows, debt capacity, and business risk. Approving without including the syndication desk bypasses the necessary collaboration and structuring that determine whether a syndicated loan is feasible. Focusing solely on collateral value ignores the cash-flow strength and governance that drive repayment capability and overall risk.

7. Total assets change after selling 100 units of inventory is:

A. Decrease by 75

B. Increase by 75

C. No change

D. Increase by 25

When inventory is sold, one asset (inventory) is reduced by the cost of the goods sold, while another asset (cash or accounts receivable) increases by the sale price. The net change in total assets depends on the relation between the selling price and the cost. If you're only given the cost of the goods sold and not the actual cash inflow, the immediate impact shown on the balance sheet for the asset side is a decrease equal to the cost of those goods. Here, the cost of the 100 units is 75, so the total assets decrease by 75. If the sale price were provided and differed from the cost, the net change would reflect the difference (a profit would push assets higher, a loss lower), but with the given data the asset effect shown is a drop of 75.

8. What are the typical components of a term sheet in corporate lending?

A. Only loan amount and interest rate.

B. Borrower's annual salary.

C. Facility amount, tenor, amortization, interest rate, fees, covenants, collateral, conditions precedent, and participant lenders.

D. Marketing budget.

In a term sheet for corporate lending, the key idea is to lay out how the loan will be structured and under what conditions it will operate. The best answer captures the full spectrum of terms that are typically negotiated and documented. Facility amount defines how much can be borrowed, setting the size of the loan. Tenor indicates the loan's maturity date, i.e., how long the borrower has to repay. Amortization describes the planned repayment pattern—whether principal is paid down gradually over time or in a bullet lump at maturity. The interest rate establishes the pricing for borrowing funds, often linked to a reference rate plus a margin. Fees cover the costs of arranging and maintaining the loan, including origination, committing, and legal fees. Covenants are the financial and operational rules the borrower must follow, plus any negative covenants that restrict certain activities. Collateral is property or assets pledged to secure the loan, enhancing the lender's protection. Conditions precedent are the requirements that must be satisfied before funds are drawn or the loan becomes effective. Finally, participant lenders indicate who else is in the syndicated deal, sharing risk among multiple lenders. The other options miss important elements: focusing only on loan amount and interest rate omits structure, risk controls, and conditions. A borrower's annual salary is not a loan term and has no bearing on the lending arrangement. A marketing budget is irrelevant to the loan terms.

9. Which item is not typically managed by Asset-Liability Management (ALM)?

- A. Marketing strategy**
- B. Interest rate risk
- C. Currency risk
- D. Liquidity risk

Asset-Liability Management focuses on risks that arise from the balance sheet—the timing and magnitude of cash flows from assets and liabilities. The core concerns are interest rate risk, which comes from how changes in rates affect asset yields and liability costs; liquidity risk, which is about having enough cash or funding to meet obligations; and currency risk, which can arise when assets and liabilities are in different currencies and exchange rate movements impact profitability and capital adequacy. Marketing strategy, while essential for growth and revenue, does not directly affect the balance sheet or the specific risk profiles ALM is designed to manage, so it isn't typically within its scope. The other risks—interest rate, liquidity, and currency—are central to ALM because they directly influence funding, asset valuation, and financial stability.

10. A cash sweep is typically triggered by which condition?

- A. Only at the loan's maturity
- B. When the borrower elects, regardless of cash flow
- C. When interest rates fall below a threshold
- D. When excess cash is available after meeting required debt service and reserves, often tied to covenant triggers**

A cash sweep is an automatic use of any surplus cash to prepay debt once the business has covered its required debt service and reserves. Lenders set covenant-based triggers so that when cash on hand exceeds those minimum needs, the excess is swept into principal repayment. This mechanism ensures that available funds are used to strengthen the loan repayment profile, reducing leverage and lender risk. It isn't activated only at loan maturity, nor is it chosen by the borrower regardless of cash flow, and it's not driven by changes in interest rates. Those alternatives describe more voluntary or rate-driven actions, whereas a cash sweep hinges on actual cash availability after meeting mandatory payments and reserve requirements, often governed by covenants.

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://corporatebankinginterview.examzify.com>

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

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