

Evercore Private Capital Advisory (PCA) First Round Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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	16

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. Why might General Partners (GPs) consider selling secondary assets?**
 - A. To maximize profits from a single investment**
 - B. To find replacement Limited Partners when pressured to liquidate**
 - C. To avoid taxes on distributed returns**
 - D. To focus solely on new investments**

- 2. What role do secondary advisory firms serve for Limited Partners?**
 - A. Creating new funds for GPs**
 - B. Facilitating transfers of private equity interests**
 - C. Providing debt financing**
 - D. Acquiring new assets directly**

- 3. Why are secondary transactions important in private equity?**
 - A. They are the primary source of fundraising**
 - B. They provide liquidity and manage exposure**
 - C. They enhance initial public offerings**
 - D. They reduce management fees**

- 4. What does the term "exit multiple" refer to in private equity?**
 - A. A measure of the initial investment amount**
 - B. A valuation ratio based on a financial metric**
 - C. The total number of investors in a fund**
 - D. The time taken to complete a deal**

- 5. What is a key benefit of late-stage private equity investing?**
 - A. Higher risk associated**
 - B. More opportunity for innovation**
 - C. Greater stability and less risk**
 - D. Access to more equity stakes**

- 6. Which firm is noted as a significant secondary investor?**
- A. Kohlberg Kravis Roberts**
 - B. Blackstone Strategic Partners**
 - C. Bain Capital**
 - D. American Securities**
- 7. What skills are essential for professionals working in PCA?**
- A. Only negotiation skills are required**
 - B. Essential skills include financial analysis and communication**
 - C. Technical skills are irrelevant in PCA**
 - D. Writing skills are more crucial than analytical skills**
- 8. What is one of the significant trends in GP-led transactions since 2017?**
- A. They have decreased substantially in popularity**
 - B. They have become less complex**
 - C. They now comprise a larger percentage of the secondary market**
 - D. They primarily target small-cap investments**
- 9. What role does market research play in PCA services?**
- A. It identifies potential mergers**
 - B. It provides insights into investor sentiment and trends**
 - C. It establishes company valuations**
 - D. It sets the likelihood of project success**
- 10. What does it mean for preferred equity holders in a participating preferred structure?**
- A. They rank equally with common equity holders**
 - B. They rank above common equity holders in payout priority**
 - C. They have no claim on upside gains**
 - D. They receive no guaranteed return**

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. Why might General Partners (GPs) consider selling secondary assets?

- A. To maximize profits from a single investment
- B. To find replacement Limited Partners when pressured to liquidate**
- C. To avoid taxes on distributed returns
- D. To focus solely on new investments

General Partners (GPs) may consider selling secondary assets primarily to find replacement Limited Partners when under pressure to liquidate. In private equity, the secondary market allows GPs to sell their stakes in investments to other investors, which can help them address liquidity needs or shift focus. If a GP faces pressure to liquidate a position—perhaps due to poor performance or market conditions—they might seek to bring in new investors to relieve financial burdens and stabilize the fund. By doing this, GPs can free up capital and potentially maintain or enhance their overall investment strategy without completely exiting the market. This approach can be particularly useful in scenarios where existing Limited Partners require cash distributions or need to divest their positions. By facilitating secondary transactions, GPs can effectively manage the capital structure of their funds and ensure they can continue to operate and pursue additional investment opportunities. Other motivations, while they may reflect certain aspects of investment strategy, do not align as closely with the immediate pressures and responsibilities faced by GPs in managing their funds and relations with Limited Partners. Thus, looking for replacements through secondary sales can strategically realign and support the ongoing viability of the fund.

2. What role do secondary advisory firms serve for Limited Partners?

- A. Creating new funds for GPs
- B. Facilitating transfers of private equity interests**
- C. Providing debt financing
- D. Acquiring new assets directly

Secondary advisory firms play a crucial role for Limited Partners (LPs) by facilitating transfers of private equity interests. This function addresses the liquidity needs of LPs who may want to sell their commitments to a private equity fund before the fund matures. By providing a marketplace for these transactions, secondary advisory firms enable LPs to realize cash flows from their investments at different stages of the fund's lifecycle. This role is particularly important as LPs often face situations where they need to rebalance their portfolios or improve liquidity, making it necessary for them to understand and navigate the secondary market. Secondary advisory firms have the expertise to connect sellers with potential buyers, enhance transparency in pricing, and ensure that transactions are executed efficiently. In contrast, other options do not accurately reflect the primary function of secondary advisory firms. Creating new funds for General Partners (GPs) involves different strategic activities and relationships with fund managers, which falls outside the advisory scope related to secondary market transactions. Providing debt financing is more aligned with financial institutions or lenders rather than advisory firms focused on secondary transactions. Lastly, acquiring new assets directly typically relates to investment firms seeking to build their portfolios, which does not align with the roles that secondary advisory firms perform for LPs.

3. Why are secondary transactions important in private equity?

- A. They are the primary source of fundraising
- B. They provide liquidity and manage exposure**
- C. They enhance initial public offerings
- D. They reduce management fees

Secondary transactions are significant in private equity primarily because they provide liquidity and help manage exposure for investors. In the context of private equity, after an investment is made, it's often difficult for investors to exit those positions until the underlying investments are sold or reach maturity. Secondary transactions allow investors to sell their stakes in a fund to other investors, thereby creating a secondary market. This liquidity is vital for investors who may need to access their capital for various reasons, such as changes in investment strategy, rebalancing their portfolios, or personal liquidity needs. Additionally, secondary transactions can help manage exposure to specific funds or companies. For instance, if an investor wants to reduce their risk associated with a particular investment or sector, they can offload some of their holdings through secondary sales. This dynamic not only provides individual investors with options but also contributes to the overall health of the private equity market by enabling price discovery and the flow of capital. The other options, while relevant to aspects of private equity, do not capture the fundamental role of secondary transactions as effectively. Fundraising is primarily associated with initial capital raising rather than secondary transactions. Enhancing IPOs is more related to the maturation of investments rather than the liquidity provided through secondaries. Lastly, management fees are typically determined by

4. What does the term "exit multiple" refer to in private equity?

- A. A measure of the initial investment amount
- B. A valuation ratio based on a financial metric**
- C. The total number of investors in a fund
- D. The time taken to complete a deal

The term "exit multiple" refers to a valuation ratio based on a financial metric, and this understanding is central to evaluating the performance of private equity investments. When a private equity firm exits an investment, it often does so at a valuation that is expressed as a multiple of a financial metric such as EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization). This multiple is used to determine how much value has been created relative to the initial investment and allows investors to gain insights into the return on investment. For instance, if a private equity firm acquires a company for \$10 million and later sells it for \$30 million, the exit multiple based on EBITDA would help quantify this return by comparing it to earnings metrics during the holding period. Understanding exit multiples is crucial for private equity professionals because they inform investment decisions and strategies, as well as the anticipated returns when negotiating exits. The other options do not pertain to this concept, as they either refer to different aspects of investment analysis or are unrelated terms in private equity contexts.

5. What is a key benefit of late-stage private equity investing?

- A. Higher risk associated**
- B. More opportunity for innovation**
- C. Greater stability and less risk**
- D. Access to more equity stakes**

A key benefit of late-stage private equity investing is indeed greater stability and less risk. This is primarily because late-stage investments are typically made in companies that have already established a proven business model and a track record of revenue generation. By the time a company reaches the late stages of its growth, it has often reached a level of operational maturity that decreases the inherent uncertainties associated with early-stage investments. In late-stage investing, firms are more likely to assess historical performance data, customer bases, and operational efficiencies, which provide greater confidence in the investment decision. Consequently, investors can expect more predictable revenue streams and less volatility in their investments compared to earlier-stage ventures, where the risk of failure is generally higher due to unproven concepts and untested markets. The other options touch on aspects that may be associated with private equity investing but do not specifically highlight the advantages that late-stage investing provides, particularly regarding stability and reduced risk for investors.

6. Which firm is noted as a significant secondary investor?

- A. Kohlberg Kravis Roberts**
- B. Blackstone Strategic Partners**
- C. Bain Capital**
- D. American Securities**

The identification of Blackstone Strategic Partners as a significant secondary investor is due to its specialized focus on acquiring private equity interests in the secondary market. This firm operates within Blackstone, which is one of the largest investment firms globally, and Strategic Partners is known for its expertise and extensive network in the secondary market space. They provide liquidity to investors by purchasing limited partnership interests in private equity funds and other alternative assets, thereby facilitating smooth transitions for sellers seeking to exit their positions. The presence of a well-established operational framework and the ability to leverage resources from the larger Blackstone platform enhances Strategic Partners' standing as a key player in secondary investments. This focus on the secondary market is distinctive compared to the other firms listed, which primarily engage in other forms of private equity investing, such as fundraising or direct investments in new companies, rather than specializing in secondary acquisitions.

7. What skills are essential for professionals working in PCA?

- A. Only negotiation skills are required
- B. Essential skills include financial analysis and communication**
- C. Technical skills are irrelevant in PCA
- D. Writing skills are more crucial than analytical skills

Professionals working in Private Capital Advisory (PCA) require a diverse set of skills to effectively navigate the complexities of the financial landscape. Financial analysis is crucial as it involves evaluating investment opportunities, understanding financial statements, and conducting due diligence. This analytical capability allows professionals to assess risks, project potential returns, and make informed recommendations to clients. Communication skills are equally important, as PCA professionals must clearly present their findings, strategies, and investment opportunities to clients and stakeholders. The ability to articulate complex financial concepts in a straightforward manner fosters trust and ensures that clients understand their options and the rationale behind certain financial decisions. Together, these skills enable professionals in PCA to perform their roles effectively, make sound recommendations, and build strong client relationships. The assertion that only one specific skill, such as negotiation or writing skills, is required simplifies the reality of the multifaceted roles within PCA. This comprehensive skill set is essential for success in the field.

8. What is one of the significant trends in GP-led transactions since 2017?

- A. They have decreased substantially in popularity
- B. They have become less complex
- C. They now comprise a larger percentage of the secondary market**
- D. They primarily target small-cap investments

Over the past several years, GP-led transactions have indeed become increasingly prominent in the secondary market. This trend is significant because GP-led deals offer general partners (GPs) a means to manage their portfolios actively and provide liquidity to investors. As a result, these transactions have evolved to support a diverse range of strategies and investment sizes, allowing GPs to restructure funds, extend investment horizons, and provide existing limited partners (LPs) with exit options while bringing in new LPs. The increase in the percentage of GP-led transactions within the secondary market indicates their growing acceptance and the sophistication of LPs in navigating these opportunities. Investors recognize the value in these transactions for accessing high-quality, managed assets while enabling GPs to secure the capital needed for further investment or to realign fund strategies. The other options do not reflect the realities of the market since 2017. For instance, while complexity can vary, GP-led transactions have generally not become less complex; rather, they often involve intricate negotiations and structures. Additionally, the assertion that GP-led deals primarily target small-cap investments is misleading, as these transactions can encompass various investment sizes and strategies, including large-cap firms. Similarly, claiming that their popularity has decreased is contrary to the observable trend of increasing activity.

9. What role does market research play in PCA services?

- A. It identifies potential mergers
- B. It provides insights into investor sentiment and trends**
- C. It establishes company valuations
- D. It sets the likelihood of project success

Market research plays a vital role in Private Capital Advisory (PCA) services by providing insights into investor sentiment and trends. Understanding investor sentiment is crucial for establishing a successful capital raising strategy, as it helps advisors gauge the current appetite for different types of investments. This insight allows firms to tailor their offerings and approach to align with prevailing market trends, ensuring that they effectively communicate value propositions to potential investors. Furthermore, insights gathered from market research can inform advisors about shifts in industry dynamics, competitive landscapes, and economic indicators that may influence investor behavior. By analyzing these factors, PCA services can enhance their strategic recommendations and improve the likelihood of successful fundraising campaigns or investment opportunities. While identifying potential mergers, establishing company valuations, and assessing project success likelihood are all important facets of PCA, they are more specific functions that rely heavily on the broader insights obtained through market research. By prioritizing market sentiment and trends, advisors can make informed decisions that resonate more effectively with current and prospective investors.

10. What does it mean for preferred equity holders in a participating preferred structure?

- A. They rank equally with common equity holders
- B. They rank above common equity holders in payout priority**
- C. They have no claim on upside gains
- D. They receive no guaranteed return

In a participating preferred structure, preferred equity holders are positioned above common equity holders in terms of payout priority. This means that when a company is liquidated or when distributions are made, the participating preferred holders will receive their payments before any funds are distributed to common equity holders. This is a key feature of preferred equity, as it provides a level of security and priority in payouts that common equity does not enjoy. Furthermore, participating preferred equity often allows holders to participate in additional upside beyond their fixed dividend, hence they can benefit from residual profits alongside common equity holders once their preferred payouts have been satisfied. This participation typically takes place after the preferred claim has been fully honored, further emphasizing their subordinate position relative to the common stockholders concerning both payout and risk. The other options presented represent aspects that do not align with the characteristics of participating preferred equity. For instance, common equity holders rank below preferred equity holders, and holders of participating preferred equity typically have some claim to upside gains after their guaranteed payments have been made. They usually benefit from set returns as well, further distinguishing their position from that of common equity holders.

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://evercorepcafirstround.examzify.com>

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

SAMPLE