

MERGERS AND ACQUISITIONS (M&A) PROFESSIONAL CERTIFICATION PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE**

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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 approach do many companies take when dealing with investment banks during a sale process?**
 - A. Retaining them for legal advice
 - B. Utilizing them for marketing strategies
 - C. Advising them on internal processes
 - D. Consulting for valuation and negotiation strategies
- 2. Which statement regarding purchase accounting principles is incorrect?**
 - A. Investment value is adjusted annually
 - B. Assets are valued at market rates
 - C. Last-in, Last-out (LIFO) must always be used
 - D. Liabilities are recorded at fair value
- 3. What is the primary difference between the Capital Asset Pricing Model (CAPM) and the Weighted Average Cost of Capital (WACC)?**
 - A. CAPM estimates total capital costs while WACC estimates debt only
 - B. CAPM focuses on risk-free asset returns while WACC includes equity costs
 - C. CAPM estimates the cost of equity while WACC considers equity and debt costs
 - D. CAPM uses historical data while WACC is forward-looking
- 4. What was the principal problem associated with Hewlett Packard's acquisition of Autonomy Software?**
 - A. HP's marketing strategy was ineffective
 - B. HP management failed to conduct proper due diligence
 - C. The acquisition was not approved by shareholders
 - D. The technology was outdated
- 5. What does "Control Premium" refer to in mergers and acquisitions?**
 - A. The total market valuation of a company's existing assets
 - B. The amount that a buyer is willing to pay over the current market price of a publicly traded company in order to acquire a controlling share of the company
 - C. The additional cost incurred in the acquisition of new technology
 - D. The difference between acquisition price and liquidation value

- 6. What does a Beta value greater than 1 signify for a stock?**
- A. The stock is less risky than the overall market
 - B. The stock has volatility higher than the overall market
 - C. The stock is expected to provide lower returns than the market
 - D. The stock behaves independently of market movements
- 7. Which valuation technique typically receives the most consideration during Mergers and Acquisitions negotiations?**
- A. Asset-based valuation
 - B. Comparable public company analysis
 - C. Comparable Mergers and Acquisitions deals
 - D. Return on investment analysis
- 8. How should ABC Corporation account for its investment in XYZ Corporation at the end of the month?**
- A. Record the investment at historical cost
 - B. Record the full market value loss
 - C. FMV - gain/loss included in other comprehensive income
 - D. Do not adjust value
- 9. How should Energy Corporation account for the intangible asset value of the customer lists acquired?**
- A. Record it as an expense immediately
 - B. Record it as an asset and amortize over its economic life
 - C. Ignore the value during initial acquisition
 - D. Record it as a liability
- 10. In what scenario could a downward adjustment in goodwill be necessary?**
- A. Upon selling the company at a profit
 - B. Due to realization of expected synergies
 - C. If the actual results deviate negatively from projections
 - D. When new investors are acquired

Answers

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

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Explanations

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1. What approach do many companies take when dealing with investment banks during a sale process?

- A. Retaining them for legal advice
- B. Utilizing them for marketing strategies
- C. Advising them on internal processes

D. Consulting for valuation and negotiation strategies

Many companies engage investment banks during a sale process primarily for their expertise in valuation and negotiation strategies. Investment banks are well-versed in financial assessment methodologies, allowing them to accurately determine the worth of a business based on various factors such as market conditions, historical performance, and future potential. This valuation is crucial during the sale process as it guides the seller in setting realistic price expectations and helps in establishing a fair value for both parties involved. Moreover, investment banks bring significant experience in negotiation tactics. They have the skills to effectively represent the seller's interests, ensure optimal deal structures, and navigate offers from potential buyers. This dual focus on valuation and negotiation is essential for achieving favorable sale terms and maximizing the seller's financial outcome. The other options, while relevant in certain contexts, do not capture the primary function of investment banks in M&A transactions. For instance, retaining investment banks for legal advice is less common since legal aspects are typically handled by attorneys. Utilizing them for marketing strategies might occur but is not their main role in a sale process. Advising them on internal processes also falls outside the purview of investment banks, which focus more on external market factors and deal execution rather than internal company operations.

2. Which statement regarding purchase accounting principles is incorrect?

- A. Investment value is adjusted annually
- B. Assets are valued at market rates
- C. Last-in, Last-out (LIFO) must always be used**
- D. Liabilities are recorded at fair value

The statement that Last-in, Last-out (LIFO) must always be used is incorrect because purchase accounting principles do not mandate the use of any specific inventory valuation method like LIFO. Instead, companies may choose from several acceptable methods, such as FIFO (First-in, First-out), weighted average cost, or LIFO, depending on what best suits their financial reporting and tax strategies. In purchase accounting, the objective is to fairly represent the acquired entity's assets and liabilities as of the acquisition date. Other statements regarding purchase accounting principles are accurate: investment values, for instance, are typically adjusted annually to reflect changes in the financial position and performance of the investment. Additionally, assets acquired in a business combination are recorded at their fair market value, ensuring that the balance sheet reflects the actual worth of the assets at the time of acquisition. Similarly, liabilities are also recorded at fair value, providing a realistic picture of the obligations acquired. This treatment is consistent with the goal of presenting a true economic view of the transaction.

3. What is the primary difference between the Capital Asset Pricing Model (CAPM) and the Weighted Average Cost of Capital (WACC)?

- A. CAPM estimates total capital costs while WACC estimates debt only
- B. CAPM focuses on risk-free asset returns while WACC includes equity costs
- C. CAPM estimates the cost of equity while WACC considers equity and debt costs**
- D. CAPM uses historical data while WACC is forward-looking

The primary difference between the Capital Asset Pricing Model (CAPM) and the Weighted Average Cost of Capital (WACC) lies in their respective focuses on costs associated with capital. CAPM specifically estimates the cost of equity by assessing the expected return on equity based on the risk-free rate, the equity beta (which measures the asset's risk relative to the market), and the expected market return. This model helps investors understand compensation for both the time value of money and the additional risk taken by investing in a risky asset compared to a risk-free asset. On the other hand, WACC provides a broader perspective as it represents the average rate of return that a company is expected to pay to finance its assets, thus encompassing both equity and debt costs. WACC is calculated by taking the percentage of each capital component (equity and debt) in the overall capital structure, multiplied by its associated cost, and then summing these values together. This distinction is fundamental in finance as CAPM is primarily a tool for evaluating the cost of equity, whereas WACC helps in understanding the overall cost required for the entire capital structure, making option C the correct answer.

4. What was the principal problem associated with Hewlett Packard's acquisition of Autonomy Software?

- A. HP's marketing strategy was ineffective
- B. HP management failed to conduct proper due diligence**
- C. The acquisition was not approved by shareholders
- D. The technology was outdated

The principal problem associated with Hewlett Packard's acquisition of Autonomy Software was the failure of HP management to conduct proper due diligence. In M&A transactions, due diligence is a critical process where the acquiring company investigates and evaluates the target company's business, financials, operations, and technology. In the case of HP and Autonomy, there were significant issues regarding the accuracy of Autonomy's financial statements and the valuation of its technology, which HP later claimed were overstated. This lack of thorough due diligence led to HP overpaying for the acquisition and subsequently writing down the value of Autonomy by billions shortly after the purchase. The consequences highlighted the importance of an effective due diligence process to uncover any potential liabilities or discrepancies and ensure that the acquiring company is making a well-informed decision. While the other options address various aspects of business operations or strategy, they do not encompass the central issue of due diligence that ultimately affected the deal's outcome and HP's financial position.

5. What does "Control Premium" refer to in mergers and acquisitions?

- A. The total market valuation of a company's existing assets
- B. The amount that a buyer is willing to pay over the current market price of a publicly traded company in order to acquire a controlling share of the company**
- C. The additional cost incurred in the acquisition of new technology
- D. The difference between acquisition price and liquidation value

"Control Premium" refers specifically to the amount that a buyer is willing to pay over the current market price of a publicly traded company to acquire a controlling share. This concept is particularly relevant in mergers and acquisitions because acquiring control of a company often comes with additional benefits, such as the ability to influence strategic decisions, make operational changes, and access synergies that can enhance the value of the combined entity. In many cases, the market price of a company's shares may not fully reflect its intrinsic value, especially when a buyer sees potential for operational improvements, cost reductions, or market share expansion. Therefore, the control premium represents a valuation that exceeds the market price, reflecting the perceived strategic advantages and value that can be unlocked through control. The other choices, while related to the broader context of corporate valuation and acquisition strategies, do not accurately represent the concept of a control premium. The total market valuation of a company's existing assets focuses on its overall market capitalization rather than the premium specifically associated with control. Expenses incurred in acquiring new technology relate to operational costs, while the difference between acquisition price and liquidation value does not directly address the concept of control but instead speaks to value realization in the context of insolvency or asset disposition. Understanding control premiums is essential for professionals engaging

6. What does a Beta value greater than 1 signify for a stock?

- A. The stock is less risky than the overall market
- B. The stock has volatility higher than the overall market**
- C. The stock is expected to provide lower returns than the market
- D. The stock behaves independently of market movements

A Beta value greater than 1 indicates that the stock has volatility higher than the overall market. This signifies that if the market experiences a fluctuation, the stock is likely to experience a proportionally larger change in price. For example, if the market increases by 1%, a stock with a Beta of 1.5 would, on average, be expected to increase by 1.5%. This higher volatility means that investors might experience larger gains during bull markets, but they also face potentially greater losses in bear markets, making this stock riskier than the market overall. The other options reflect misconceptions about Beta. A value less than 1 suggests a stock is less volatile compared to the market, not greater. A Beta of greater than 1 does not inherently indicate expected returns relative to the market; it simply expresses the degree of volatility. Finally, a Beta of 0 would indicate that the stock behaves independently of market movements, which is not the case when the Beta is greater than 1. Thus, the significance of a Beta greater than 1 is inherently tied to the stock's increased volatility compared to the market.

7. Which valuation technique typically receives the most consideration during Mergers and Acquisitions negotiations?

- A. Asset-based valuation
- B. Comparable public company analysis
- C. Comparable Mergers and Acquisitions deals**
- D. Return on investment analysis

The valuation technique that typically receives the most consideration during Mergers and Acquisitions negotiations is based on comparable Mergers and Acquisitions deals. This approach focuses on analyzing similar transactions that have taken place in the market, providing valuable insights into how much buyers have paid for companies with analogous characteristics and market conditions. This method is particularly effective in negotiations because it reflects real transaction values, rather than theoretical or subjective numbers. It helps both parties align their expectations based on market realities and current trends in the industry. By referencing specific deals, acquirers and sellers can effectively gauge what a fair price might be based on actual results from the market. Understanding comparable M&A deals allows negotiators to justify their positions and argues attributed to tangible examples, which can be pivotal in discussions and negotiations. This technique also provides a quick way to evaluate the relevance of various financial metrics by analyzing precedents that have occurred with similar companies. In contrast, asset-based valuation focuses on the individual assets of a firm rather than the market sentiment or potential synergies of a deal, which may not fully capture a company's value in the context of an acquisition. Comparable public company analysis can sometimes overlook the unique aspects of a specific M&A transaction, and return on investment

8. How should ABC Corporation account for its investment in XYZ Corporation at the end of the month?

- A. Record the investment at historical cost
- B. Record the full market value loss
- C. FMV - gain/loss included in other comprehensive income**
- D. Do not adjust value

When accounting for an investment in another corporation, it is important to consider the nature of the investment and the applicable accounting standards, such as IFRS or GAAP. In this scenario, the option related to fair market value (FMV) with gains and losses included in other comprehensive income is appropriate because it aligns with how certain types of investments, particularly those classified as available-for-sale securities, are treated. When an investment is classified as available-for-sale, changes in market value do not directly affect net income but are instead reported in other comprehensive income until the investment is sold. This treatment reflects the intention that the investment may not be realized in the short term, thereby separating unrealized gains or losses from operating performance. Choosing to record the investment at historical cost would not provide an accurate representation of the current financial conditions as it ignores market fluctuations, while recognizing a full market value loss directly in income may not be suitable until the investment is disposed of. Not adjusting the value entirely fails to recognize the ongoing changes in market conditions that could impact the financial statements. In summary, reflecting the fair market value adjustments in other comprehensive income allows ABC Corporation to present a more comprehensive view of its financial position, considering the fluctuations in the investment's value while protecting the main income

9. How should Energy Corporation account for the intangible asset value of the customer lists acquired?

- A. Record it as an expense immediately
- B. Record it as an asset and amortize over its economic life**
- C. Ignore the value during initial acquisition
- D. Record it as a liability

The proper accounting treatment for the intangible asset value of customer lists acquired by Energy Corporation is to record it as an asset and amortize it over its economic life. This approach is in compliance with accounting standards that recognize intangible assets as elements of the company's balance sheet if they provide future economic benefits. Customer lists represent valuable relationships and marketing advantages obtained through established contacts with customers. By recognizing customer lists as an intangible asset, a company acknowledges the future revenue potential these relationships can generate. Additionally, amortizing the asset over its economic life ensures that the expense is distributed appropriately over the period in which the asset is expected to contribute to revenue generation. This method aligns with the generally accepted accounting principle of matching, where the cost of the asset is recognized as an expense over time in accordance with the benefits it provides, rather than all at once. Amortization assists in accurately depicting the company's financial position and performance over the reporting periods affected by the asset.

10. In what scenario could a downward adjustment in goodwill be necessary?

- A. Upon selling the company at a profit
- B. Due to realization of expected synergies
- C. If the actual results deviate negatively from projections**
- D. When new investors are acquired

A downward adjustment in goodwill may be necessary when the actual results deviate negatively from projections. Goodwill is established during acquisitions as the difference between the purchase price and the fair value of identifiable net assets acquired. If subsequent performance falls short of expectations—leading to reduced future cash flows—this can indicate that the initial value assigned to goodwill may no longer be justified. This requires an impairment test, and if the carrying amount of goodwill exceeds its fair value, an impairment loss must be recognized, resulting in a downward adjustment in goodwill. This scenario aligns with the fundamental principles of accounting, where the value of intangible assets like goodwill is reflective of the company's ongoing performance and future prospects. If a company's earning potential deteriorates, it can necessitate a revision of the goodwill figure on the balance sheet to ensure accuracy and compliance with financial reporting standards.

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://mandaprofessional.examzify.com>

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

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