Finance Interview Questions And Answers Guide.

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Finance Job Interview Preparation Guide.

Question # 1
What is finance?

Answer:-
A broad term used to describe many aspects of finance or the financial industry, such as financial instruments, financial services, financial institutions, financial advisers or financial planning.
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Question # 2
What do you think motivates you?

Answer:-
When an interview question about your motivation is asked it is designed to determine whether you have the right motivation to be a good fit for the company and the position offered.
Make sure you make you describe your motivation in manner that is relevant to the job.
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Question # 3
What was your major achievement in your career?

Answer:-
Choose one of your most notable achievements and why you felt it was important.
Keep it relevant to the finance position you are applying for. Discuss the challenges you faced and tell the interviewer how your achievement can help you succeed in your new position.
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Question # 4
What would your plan be to adapt so you could effectively work with the team and how would you approach team work?

Answer:-
Finance interviewers are looking for team players who can build strong relationships and play an integral role in the team's success.
In the financial industry it is imperative that you can successfully work in a team environment and that you are highly adaptable.
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Question # 5
Give example of a recent wining situation you successfully negotiated?

Answer:-
Think carefully before you answer, because the object of this question is to explore whether you are capable of communication information and whether you have the ability to communicate in a way that will gain the acceptance and agreement you are seeking.
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Question # 6
How do you persuade others to see your point of view?

Answer:-
In the finance industry financial professionals often have to persuade influential people to count on their expertise, follow their advice and use their services.
Your interviewer will want to make sure you are able to determine the best approach to achieve what you want by influencing clients.
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Question # 7
What can you do to add value to our organization?

Answer:-

Your answer to this question needs to highlight your knowledge of the company, that you understand the company's goals, achievements, and the challenges it faces.

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Question # 8

What are the biggest opportunities and the biggest challenges that financial professionals face in today's market?

Answer:-

Make sure the interviewer knows you understand the current economic times, the financial sectors issues relating to reputation issues, regulatory changes, cost reduction, industry innovations and credit availability. If you want to increase your likelihood of getting the position, give this question the attention it deserves.

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Question # 9

What is debenture?

Answer:-

A Debenture is a certificate of agreement of loans which is given under the company's stamp and carries an undertaking that the debenture holder will get a fixed return and the principal amount whenever the debenture matures.

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Question # 10

What is a high stress situation you had yourself in and how did you handle it?

Answer:-

The finance industry is always under pressure and the interviewer is looking to see if you are able to perform under pressure, that you can stay calm and defuse a stressful situation.

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Question # 11

Tell me about an experience in which you had to use tact?

Answer:-

Tact is nothing but a situational rating power. Once I had gone to a government office for getting a certification. There I was told to offer excess fee more than the prescribed amount. I dealt tactfully just by asking the concerned person to acknowledge the excess fee. I also told him that the acknowledgement is for claiming educational allowance by my father. The person caught in the dilemma and dropped the issue.

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Question # 12

What is treasury bills?

Answer:-

Treasury bills are money market instruments to finance the short term requirements of the Government of India. These are discounted securities and thus are issued at a discount to face value.

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Question # 13

Who is a more senior creditor, a bondholder or stockholder?

Answer:-

The bondholder is always more senior. Stockholders (including those who own preferred stock) must wait until bondholders are paid during a bankruptcy before claiming company assets.

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Question # 14

What is the difference between journal entry and ledger?

Answer:-

A journal is also called as a book of prime entry. Transactions occurred are first entered in this book to show which accounts should be debited and which should be credited.

On the basis of entries made in the journal, accounts are prepared, the book which contains the accounts is called a ledger. transactions entered in the journal are classified according to their nature and posted in their respective accounts in ledger. it is also called as book of final entry.

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Question # 15

What is trial balance?

Answer:-

A trial Balance is statement of balances of all the accounts in the ledger prepared to prove the arithmetical accuracy of the books of accounts. It is also a list of Debit and Credit or a list of Debit & Credit Balance of all the ledger accounts prepared on any particular date.

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Question # 16
What is accounting management?

Answer:-
Accounting management is the piratical application of management techniques to control and report on the financial health of the organisation. It involves the analysis, planning, implementation and control of programs designed to provide financial data reporting for managerial decision making.

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Question # 17
What is Networth?

Answer:-
In terms of financial management Net Worth of a company is share capital plus reserve and surplus reserve could be general reserve or reserve for bad & doubtful debts and in terms of accounting net worth is total assets minus total liabilities.

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Question # 18
What is the difference between real money and nominal money?

Answer:-
Nominal money is related to the measure of counting. Nominal figure is what is written on the bill. Where as real money relates to it is purchasing power.
Example:
If 10 units in nominal money can buy 2 chocolates in 1980 and 1 chocolate in 2000, in the same way, 10 units of nominal money is 10 units of real money in 1980 and 5 units of real money in 2000.

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Question # 19
What is RAROC?

Answer:-
RAROC is a risk adjusted framework for profitability measurement and profitability management. It is a tool for measuring risk-adjusted financial performance. And it provides a uniform view of profitability across businesses (Strategic Business Units / divisions). RAROC and related concepts such as RORAC and RARORAC are mainly used within (business lines of) banks and insurance companies. RAROC is defined as the ratio of risk-adjusted return to economic capital.

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Question # 20
what is crossover rate?

Answer:-
Crossover rates have to do with the amount of earnings that are generated by two different but similar projects. The crossover rate is the point at which the two projects achieve the same net present value. In terms of investments, calculating a crossover rate between two similar securities can help an investor determine what to buy and what to sell.

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Question # 21
What is Demat Account?

Answer:-
A demat account is the account which is required for an individual to trade the securities to buy stocks or sell the stocks)in the stock market and it is also taken care by SEBI to control, guide and promotes the securities and to protect the interest of the investors.

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Question # 22
Why would an investor buy preferred stock?

Answer:-
An investor that wants the upside potential of equity but wants to minimize risk would buy preferred stock. The investor would receive steady interest-like payments (dividends) from the preferred stock that are more assured than the dividends from common stock. The preferred stock owner gets a superior right to the company's assets should the company go bankrupt. A corporation would invest in preferred stock because the dividends on preferred stock are taxed at a lower rate than the interest rates on bonds.

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Question # 23
What is EBIDTA?

Answer:-
EBITDA stands for earnings before interest, taxes, depreciation, and amortization. EBITDA came into wide use among private capital firms, wanting to calculate what they should pay for a business.

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Question # 24
How has your portfolio performed in the last five years?

Answer:-

If you are applying for an investment management firm as an MBA, you would better have a good answer for this one. Also, if you think you are going to say it has outperformed the S&P each year, you better be well prepared to explain why you think this happened.

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Question # 25

What is EFT?

Answer:-

EFT is short for Electronic Funds Transfer. An EFT is a method of transferring money from one bank account directly to another account without any paper money actually changing hands. The two accounts do not have to be in the same bank.

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Question # 26

What is Inflation?

Answer:-

In economic terms, inflation is the rise in the prices of goods and services in the given economy over a period of time. As the prices rise, each unit of the country's currency will buy fewer goods and services.

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Question # 27

What is Call Option?

Answer:-

Call option gives the buyer the right but not the obligation to buy a given quantity of the underlying asset, at a given price on or before, depending upon the type of option at given future date.

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Question # 28

What is retained earnings?

Answer:-

When a company or corporation earns a profit or surplus, that money can be put to two uses it can either be re-invested in the business called retained earnings or it can be paid to the shareholders as a dividends.

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Question # 29

What is Outsource?

Answer:-

Outsourcing is a strategic management model wherein business processes are transferred to another company. The concept is to let a third party service provider perform the management and/or day-to-day execution of one or more business functions. This third party service provider is in sourcing those same processes. Outsourcing occurs when a company uses an outside firm to provide a necessary business function that might otherwise be done in-house.

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Question # 30

Distinguish between speculator and hedger?

Answer:-

The main difference lies in the motive of the two parties. The main motive of the hedger is to hedge(minimize) the risk from the occurrence of some events. The motive of the speculator is to gamble in the market in order to make the profit by buying/selling the derivative products.
Hedger is a risk avoider and speculater is risk lover. Speculator is high riskier in market,it is short term, hedger is minimizing risk from occurrence of some event.

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Question # 31

Define fair value?

Answer:-

Fair Value is an accounting expression, originally defined by the SEC.Under GAAP, the Fair Value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, other than in a liquidation. On the other side of the balance sheet, the Fair Value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, other than in a liquidation.
If available, a quoted market price in an active market is the best evidence of Fair Value and should be used as the basis for the measurement. If a quoted market price is not available, prepares should make an estimate of Fair Value using the best information available in the circumstances. In many circumstances, quoted market prices are unavailable. As a result, making estimates of Fair Value is often difficult.

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Question # 32

What are the most important qualities for an investment banking career?

Answer:-

This question is actually a question about your academic qualifications and the thoughts with which you have decided to join the profession of investment banking.

To answer this question perfectly, you would have to go back to your books and understand the concepts that were taught to you in business school. Make sure that you put across the point that being good with numbers, being in the knowledge of current and past market status, and having a good financial strategy that is unfailing are some of the most important qualities for a career in investment making.

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Question # 33

Explain derivatives in terms of capital markets?

Answer:-

The term derivative indicates that it has no independent value that is its value is entirely derived from the values of the underlying assets. The underlying asset can be securities, commodities , bullion, currency, livestock or anything else.

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Question # 34

Being the finance manager of a company how will you make finance forecasting?

Answer:-

First I will review the previous year's financial statements to get an Idea about the financial operations. Then will discuss with the management about the current year's targets (viz. sales / services) & their growth expectations. Based on that will prepare provisional P&L acct & Balance sheet. I also will check whether there is any possibility in cost cutting and make the adjustments accordingly to arrive at expected profit.

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Question # 35

When should a company issue stock rather than debt to fund its operations?

Answer:-

There are several reasons for a company to issue stock rather than debt. The first is if it believes its stock price is inflated and it can raise money by issuing stock. The second is when the projects for which the money is being raised may not generate predictable cash flows in the immediate future. A simple example of this is a startup company. The owners of startups generally will issue stock rather than take on debt because their ventures will probably not generate predictable cash flows, which is needed to make regular debt payments, and also so that the risk of the venture is diffused among the company's shareholders. A third reason for a company to raise money by selling equity is if it wants to change its debt-to-equity ratio. This ratio in part determines a company's bond rating. If a company's bond rating is poor because it is struggling with large debts, they may decide to issue equity to pay down the debt.

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