

**BLOOMBERG
ASSESSMENT
TEST**

Bloomberg
INSTITUTE

ABOUT THE BAT

HOW TO PREPARE FOR THE BAT

The BAT aids employers in identifying and screening students who wish to pursue a career in global financial services, most suitably in investment banking, capital markets and asset management. A basic level of finance knowledge is required, however the bulk of what is being assessed is a person's aptitude and skills to be successful in this industry.

The BAT consists of 11 sections divided into two categories:

- (1) Financial Knowledge and Aptitude
- (2) Career Skills and Aptitude

In preparation for the Finance sections of the BAT, students should ensure that they have a good understanding of the global macroeconomic marketplace, including its current events, basic terminology, products and institutions. The test covers a very wide range of topics and represents a practitioner's approach to finance (i.e. not textbook knowledge only). Therefore, candidates should prepare for the BAT as they would an interview and not focus on the details of financial theory. A successful test taker will understand the "big picture" of how all the parts fit together.

Following are descriptions of the different sections of the BAT and the concepts students can expect to see on the test.

FINANCE KNOWLEDGE AND APTITUDE

Financial Statements

This section assesses knowledge and understanding of the concepts and language of accounting as tools of communication, monitoring and resource allocation. Topics include standard techniques of analysis, including ratios, interrelation of financial statements and financial articulation.

➤ Accounting Principles and Guidelines

- o IFRS and US GAAP
- o Accrual vs. Cash
- o Revenue and Cost Recognition
- o Capitalized vs. Period Costs

➤ Financial Reporting

- o Balance Sheet
 - *Individual line Items*
 - *Off Balance Sheet Information*
- o Income Statement
 - *Individual line Items*
 - *Operating vs. Non-operating*
 - *Industry-specific line Items*

- o Cash Flow Statement
 - *Individual line Items*
 - *Sources and Uses of Cash*
- **Interrelation of Financial Statements**
- **“Normalizing” Income Statement Financials**
 - o Non-recurring items
 - o Tax impact
- **Financial Ratios**
 - o Liquidity
 - o Leverage
 - o Performance
 - o Efficiency

Corporate Valuation

BAT participants are expected to explain and understand the most commonly used corporate valuation methodologies – (i) comparable public companies analysis, (ii) precedent transactions and (iii) discounted cash flow analysis. Test takers are required to distinguish between equity and enterprise values, levered and unlevered cash flows, various valuation multiples and the different costs of capital.

- **Time Value of Money**
 - o Present Value and Future Value
 - o Discount Rates and Interest Rates
 - o Simple and Compounding Rates
 - o Annuities and Perpetuities
- **Total Enterprise Value (TEV)**
 - o Components of TEV
 - o TEV vs. Equity Value
 - o Minority Interest
 - o Net Debt – Subtracting Cash from Debt
 - o Basic vs. Diluted Shares Outstanding
- **Core Valuation Methodologies**
 - o Comparable Public Companies (Relative Valuation)
 - *Pros and Cons*
 - *Operating vs. Equity-based Multiples*
 - *Selecting a Comparable Universe*
 - *Consensus Estimates and Forward Multiples*
 - o Precedent Transactions (Relative Valuation)
 - *Pros and Cons*
 - *Selecting Relevant Transactions*
 - *Control Premium*
 - *Consideration and Structure*
 - o Discounted Cash Flow (Intrinsic Valuation)
 - *Dividend Discount Model*
 - *Free Cash Flow Model*

- *Calculating and Forecasting Free Cash Flow*
- *Terminal Value (Multiple vs. Perpetuity)*
- *Weighted Average Cost of Capital (WACC)*
 - *Cost of Debt*
 - *Cost of Preferred Stock*
 - *Cost of Equity via the Capital Asset Pricing Model (CAPM)*
- *Sensitivity Analysis*

Investment Banking

This section covers the basic principles of capital budgeting, capital structure optimization and the advisory and capital raising services of the Investment Banking Division (IBD) within an investment bank. Test takers should generally understand the debt and equity syndication processes, primary versus secondary markets, mergers & acquisitions, leveraged buyouts and financial restructuring.

➤ **Capital Budgeting**

- o Net Present Value (NPV)
- o Internal Rate of Return (IRR)
- o Payback Period
- o Opportunity Cost

➤ **Raising Debt Capital**

- o Types of Debt Instruments and Markets
- o Types of Tenor (Maturity)
- o Different Structures of Debt
- o Credit Ratings
- o Debt Syndication

➤ **Raising Equity Capital**

- o Common vs. Preferred Stock
- o Primary vs. Secondary Markets
- o Types of Public Offerings
- o Types of Private Offerings
- o Underwriting Process
- o Corporate Governance

➤ **Cost of Capital**

- o Risk vs. Return
- o Debt vs. Equity
- o Impact of Seniority, Tax-deduction and Dilution

➤ **Investment Banking**

- o Roles and Responsibilities
 - *Investment Banking Services*
 - *Groups and Deal Teams*
 - *Information Firewall or “Chinese Wall”*
 - *Types of Investment Banks (Bulge Bracket vs. Boutique vs. Middle Market)*

- o Mergers & Acquisitions
 - *League Tables*
 - *Types of M&A Transactions*
 - *Different Types of Buyers*
 - *Asset vs. Stock Purchases*
 - *Cash vs. Stock Deals*
 - *Accretion vs. Dilution*
 - *Synergies*
 - *Goodwill*
 - *Due Diligence*
- o Corporate Restructurings
 - *Recapitalizations*
 - *Stock Repurchases*
 - *Splits-offs, Spin-offs, Sale of a Subsidiary*
 - *Joint Ventures*
- o Leveraged Buyouts
 - *Benefits*
 - *Candidates*
 - *Capital Structures*
 - *Sources and Uses, Pro Forma Balance Sheet*
 - *IRR Analysis*
 - *LBO Valuation*
 - *Credit Statistics*
- o Financial (Workout) Restructurings
 - *Covenants*
 - *Debtor vs. Creditor*
 - *Reorganization vs. Liquidation*
 - *DIP Financing*
 - *Distressed Valuations*

Economics

This section of the BAT is designed to assess understanding of economics as the framework for analyzing capital markets transactions, business decisions, consumer decisions and government activity.

Microeconomic topics include:

- **Consumer behavior**
- **Business production and profit**
- **Market structure and equilibrium**
- **International trade**

Macroeconomic topics include:

- **Money, banking and monetary policy**
- **Fiscal policy, regulation and trade policy**
- **GDP and its components**
- **Labor markets**
- **International banking system**

Financial Markets

This section of the BAT is designed to assess ability to analyze and apply concepts relating to the broad range of activities in the global financial markets. Topics covered in this section include:

- **Securities industry structure and function**
- **Primary and secondary market activities**
- **Equities markets**
- **Fixed income and money markets**
- **Foreign exchange markets**
- **Commodities markets**
- **Risk management and derivatives**
- **Current events in global business and geopolitics**

Investment Management

This section of the BAT is designed to assess ability to analyze and apply concepts relating to the field of investment management. Topics covered in this section include:

- **Principles of portfolio management, both theoretical and applied**
- **Manager classes and characteristics**
- **Investor classes and characteristics**
- **Asset allocation decisions**
- **Fixed income portfolio management**
- **Equity portfolio management**
- **Alternative assets classes and portfolio management**
- **Performance measurement**

CAREER SKILLS

Analytical Reasoning

This section of the BAT is designed to assess problem solving ability. Test takers are presented with a series of hypothetical situations or sets of conditions and asked to answer a series of questions that require them to solve problems using logic, deduction and creativity.

Math Skills

This section of the BAT is designed to assess university-level math skills, with emphasis on finance-related math. Questions require the solution of math problems ranging from basic (e.g., fractions, decimals, ratios and proportions) to more advanced topics (e.g., linear equations, statistics and econometrics, algebra and calculus).

Modeling Skills

This section of the BAT is its most experimental and is designed to assess job-related practical skills. The current version requires test takers to take on a specific role in an investment bank, to read and process a news headline, and then to decide whether the news is positive or negative for them in their assumed role. Competencies assessed include *Processing Speed*, *Analytical Skills* and *Decision Making*.

Situational and Ethical Judgment

This section of the BAT is designed to assess job-relevant behaviors as well as decision making in workplace situations that involve ethical issues. Test takers are presented with a realistic workplace scenario and asked to select their most likely and least likely responses. Competencies and principles assessed include *Delivery Focus and Initiative*, *Interpersonal Skills*, *Personal Integrity* and *Duty to Clients*.

Verbal Skills

This section of the BAT is designed to assess reading comprehension. Test takers are asked to read a series of brief financial news articles and to answer questions that assess their literal, critical and inferential comprehension of the information presented in the passage.