

ISQ Examination - Winter- 2012
SME Banking - Stage- III

- Q. a. Describe any THREE weaknesses of a small and medium enterprise.
- b. Given the weaknesses, state THREE ways in which banks can assist SMEs and make them credit worthy.

Q. In order to assess the financial health and credit worthiness of an SME, the bank conducts a detailed financial analysis of its cash flow, profit and loss statement and balance sheet before lending.

What is the purpose of calculating the following ratios? State the impact that the value of each ratio will have on the bank's decision to lend. Give examples.

- a. Current ratio
- b. Net profit ratio
- c. Breakeven ratio
- d. Stock turnover ratio
- e. Capital adequacy ratio

Q. 5Cs are a common method to evaluate the credit worthiness of a business borrower. Discuss the 5Cs of credit for purposes of loan evaluation to the SME sector. Highlight how the considerations under 5Cs are different for a large borrower compared to an SME with local examples for each of the 5Cs.

- Q. a. Why should banks focus on the SME sector? Give any TWO reasons.
- b. Discuss any THREE strategies that banks can adopt to attract SMEs to use bank financing products.

Q. What role has SMEDA played in the development of the SME sector of Pakistan? Describe any FIVE services provided by SMEDA.

- Q. A dynamic and competitive SME sector is pivotal for economic growth and employment. However, SME sector development in Pakistan is hampered by a number of obstacles.
- a. Discuss in detail the challenges faced by the SME industry in Pakistan.
 - b. What is the role that the private sector can play in overcoming some of the challenges?
 - c. What is the role that the State Bank can play in overcoming some of the challenges?

Q. What is the role that the government needs to play in strengthening the SME sector? Highlight at least FIVE measures that if undertaken by the government, would help the growth of the SME sector.

Q. M/s. Anwar Brothers have taken a Demand Finance of Rs. 4,00,000/- against the security of hypothecation of stock and liquid assets worth Rs. 6,00,000/- only from XYZ Bank Prince Road Branch, Hyderabad on 1.1.2011 which is repayable in monthly installments of Rs.20,000/- at a mark up rate of 16% per annum.

The above firm paid only 10 installments with effect from January, 2011 along with mark up but no payment was received after 31.10.2011.

- a. On which date the above finance shall be classified as sub-standard?
- b. How much provision is required to be made?
- c. When shall this demand finance be classified as doubtful and what provision will required to be made?
- d. At what rate the provision shall be made on the outstanding markup amount?
