

**ISQ Examination - Summer-2013**  
**SME Banking - Stage- III**

- Q. A. What is credit scoring?
- Q. B. Explain any TWO benefits of using credit scoring for SME lending citing relevant examples.
- Q. C. Explain any TWO disadvantages of using credit scoring for SME lending, citing relevant examples.
  
- Q. SMEs face difficulty in accessing credit from banks.
  - A. State any FIVE main reasons for this.
  - B. Suggest THREE ways in which banks can help increase financial access to SMEs.
  - C. Suggest TWO ways through which SMEs can increase their ability to access credit through banks.
  
- Q. You are a relationship manager at Yakjehti Bank. You have been recently approached for a loan by Javed Brothers who are textile manufacturers in Multan. You have taken their financials for the last 5 years and are analyzing the financial health of the firm.
  - A. When analyzing the performance of the firm compared to the industry, which type of ratio analysis would be helpful- Horizontal or Vertical? Explain your answer with the help of examples.
  - B. As you analyze the financial statements, you see that there are many items that are incorrectly stated. As an SME lender, what methods can you use to verify the accuracy of the financial statements and arrive at a clearer picture of the company's financials?
  - C. What methods are available to you to ascertain the authenticity of the customer's business and management? List any FOUR.
  
- Q. A. List any THREE objectives of SMEDA.
- Q. B. What initiatives have been taken by SMEDA for Women Entrepreneurship development?

Q. The process of accurately diagnosing a borrower's financial condition involves the identification of groups of warning signals that validate one another. For each of the categories given below, highlight at least two warning signals that hint at financial distress:

- Operations
- Management and Behavior
- Reporting
- Investing
- Financing

Q. SMEs play a catalytic role in the development of most economies. Explain any FIVE contributions of SMEs towards the economic growth of the country.

Q. A. Explain any five common characteristics of SMEs.

Q. B. State the THREE broad industry groups that the SME landscape in Pakistan is generally characterized by. What are the popular subsectors within the groups?

Q. C. Elaborate on the need of appropriate governance in the SME arena. Cite at least THREE reasons.

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