NICARAGUA
(Effective 1 October 2023 – PAC/MV A626)

1. GENERAL RULE – (Accounts / Documents to be provided)

1.1 Financial Statements:
• Balance Sheet, Profit and Loss Statements and any other financial documents deemed appropriate by IATA to conduct the financial review
• must not be older than six months at the time of submission,
• must be audited or certified by an external public accountant

2. CRITERIA FOR THE EVALUATION OF AGENTS’ ACCOUNTS

2.1 Financial statements must reflect minimum Working Capital equivalent to USD20,000.

2.2 Financial Statements will be evaluated against ratio tests. The financial ratio analysis is measured by the application of four ratio tests against which points are allocated. A maximum of 40 points may be attained. For the financial results to be considered as a satisfactory result, a minimum of 22 points must be scored.

2.2.1 Ratio Tests used and maximum number of points obtainable per ratio test:

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Points</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity ratio</td>
<td>14</td>
<td>A measure of the short-term solvency of the entity</td>
</tr>
<tr>
<td>Debt ratio</td>
<td>14</td>
<td>Amount of assets provided by creditors for each dollar of total assets</td>
</tr>
<tr>
<td>Turnover ratio</td>
<td>7</td>
<td>The average number of days to collect a receivable</td>
</tr>
<tr>
<td>Cash Flow ratio</td>
<td>5</td>
<td>Level of debt versus profits</td>
</tr>
</tbody>
</table>

2.2.2 Scale of Points per Ratio Test:

\[
\text{Liquidity Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}
\]

- Over 1.99 = 14 points
- 1.50 – 1.99 = 12 points
- 1.25 – 1.49 = 10 points
- 1.00 – 1.24 = 8 points
- 0.96 – 0.99 = 6 points
- 0.91 – 0.95 = 4 points
- 0.86 – 0.90 = 2 points
- under 0.86 = 0 points

\[
\text{Turnover Ratio} = \frac{\text{Net Receivables}}{\text{Total Sales}}
\]

- 15 – 16 days = 6 points
- 17 – 18 days = 5 points
- 19 – 20 days = 4 points
- 21 – 23 days = 3 points
- 24 – 26 days = 2 points
- 27 – 29 days = 1 point
- Over 29 days = 0 point
3. ANNUAL FINANCIAL REVIEWS

3.1 All Agents are subject to annual financial reviews. Details are described in Resolution 812, Section 5.4

4. FINANCIAL SECURITY

4.1 Financial Securities will be requested based on the Risk Status of the Agent as described in Resolution 812, Section 5.5:

   4.1.1 Agents with Risk Status A – are not required to present a financial security
   4.1.2 Agents with Risk Status B – will be required to present a financial security
   4.1.3 Agents with Risk Status C – will be required to present a financial security

4.2 New Applicants will be required to provide a minimum Financial Security of USD 20,000 (or the equivalent in local currency).

4.3 When Accredited Agents are required to provide a Financial Security, the Financial Security will be calculated based on the Agents’ own Day’s Sales at Risk. Days Sales at Risk is calculated based on the number of days in the reporting period plus the number of days to remittance date plus a margin of 5 days, the result is then multiplied by the daily average BSP net cash sales of the Agent’s previous 12 months’ sales or a minimum Financial Security equivalent to USD20,000, whichever is higher.

4.4 Duration of guarantee:
   — Two-years minimum for a New Applicant
   — One-year minimum for Accredited Agents
54. FINANCIAL INFORMATION DEFINITIONS

Current Assets
This amount excludes notes or receivables from related parties, including shareholders, employees, officers, associates as well as Cash and Term Deposits pledged for security.

Current Liabilities
This amount must include the current portion of long-term debt.

Gross or Total Sales
In the event this figure is not specifically identified in the financial statements, please provide the gross sales figures for the period including ticket sales, package tours, hotels, car rental, insurance, miscellaneous income, etc., net of tax.

Long-term Liabilities
All long term loans from third parties. It does not include non-current loans provided by shareholders or proprietors.

Net Receivables
This amount should be net of bad debt and should be broken down to reflect separately,
- Trade receivables net of provision for bad debt
- Commissions receivable
- Receivables from related parties. Refer to definition of current assets
- Supplier deposits

Profit After Tax
Profit after taxes but before extraordinary items.

Total Assets
Total assets including intangible assets such as goodwill, franchise fees, client lists, etc.

Total Liabilities
Include current liabilities and all loans from third parties. It does not include non-current loans provided by shareholders or proprietors. Loans from associate parties are included, unless subordinated to other parties.