

# Glossary of Terms and Abbreviations

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## A

**Accounting Standards Board (ASB)** The Accounting Standards Board issues financial reporting standards (FRSs) for the United Kingdom. It took over the task of setting accounting standards from the Accounting Standards Committee in 1990.

**Accounting Standards Committee (ASC)** The predecessor to the United Kingdom's Accounting Standards Board. The ASC issued Statements of Standard Accounting Practice (SSAPs).

**Accounts payable** A liability that results from the purchase of goods or services on open account, that is, without a signed note payable. On the cash flow analysis statement the account is used in computing change in operating payables, a component of cash cost of revenue.

**Accounts Payable and Accrued Liabilities - Increase (Decrease)** The combined period-to-period increase or decrease in accounts payable and accrued expenses payable.

**Accounts receivable** Amounts due from customers as a result of delivering goods or services and extending credit in the ordinary course of business. Also referred to as trade receivables.

**Accounts Receivable - Decrease (Increase)** The change in accounts receivable as carried on the company-reported indirect method statement of cash flows.

**Accounts receivable, net** Amounts due from customers as a result of delivering goods or services and extending credit in the ordinary course of business, net of the allowance for doubtful accounts on accounts receivable, an estimate of the portion that will prove uncollectible. On the cash flow analysis statement the account is used in computing change in operating receivables, a component of cash from revenue.

**Accrual-basis accounting** The dominant basis of accounting that recognizes revenue as it is earned and expenses as they are incurred. The timing of the recognition of revenues and expenses is separated from the timing of the associated inflow and outflow of cash.

**Accruals** Incurred operating costs or expenses that have not been paid. Also referred to as accrued expenses payable.

**Accruals (in revenue days)** Accruals measured in terms of revenue from core operations per day. Calculated as accruals divided by revenue from core operations measured on a daily basis using a 365-day year. See also: [Accruals days](#)

**Accruals days** Accruals measured in terms of revenue from core operations per day. Calculated as accruals divided by revenue from core operations measured on a daily basis using a 365-day year. See also: [Accruals \(in revenue days\)](#)

**Accruals to revenue %** Accruals as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations owed due to accruals as of the end of a reporting period.

**Accum amortization, goodwill and acquisition-related intangibles** The cumulative amount by which goodwill and acquisition-related intangibles have been expensed through amortization through time. Because goodwill is no longer amortized, changes in accumulated amortization will be due to amortization of other acquisition-related intangibles. On the cash flow analysis statement, changes in the account from one period to the next is used as an approximation for amortization expense on goodwill and acquisition-related intangibles. The account is used in computing capital expenditures, a component of investment to support operations, by serving as a reduction in depreciation and amortization incl. in cost of revenue and depreciation and amortization incl. in SG&A. The account is also used in computing investments in goodwill and acquisition-related intangibles, a component of investment of sustainable free cash flow.

**Accum Other Comp Inc - Cumulative Translation Adjustments** A component of the shareholders' equity account, accumulated other comprehensive income, that derives from foreign currency translation adjustments.

**Accum Other Comp Inc - Derivatives Unrealized Gain/Loss** A component of the shareholders' equity account, accumulated other comprehensive income, that derives from derivatives-related transactions and cash-flow hedges.

**Accum Other Comp Inc - Marketable Security Adjustments** A component of the shareholders' equity account, accumulated other comprehensive income, that derives from unrealized gains and losses on marketable securities categorized as available for sale.

**Accum Other Comp Inc - Min Pension Liab Adj** A component of the shareholders' equity account, accumulated other comprehensive income, that derives from underfunded pensions where the projected benefit obligation exceeds the fair value of pension assets.

**Accum Other Comp Inc - Other Adjustments** A component of the shareholders' equity account, accumulated other comprehensive income, that cannot be classified as related to foreign currency translation, marketable securities, derivatives, minimum pension liability or retained interests in securitized assets.

**Accum Other Comp Inc - Unreal G/L Ret Int in Sec Assets** A component of the shareholders' equity account, accumulated other comprehensive income, that derives from unrealized gains or losses on retained interests in securitized assets.

**Accum other comprehensive income (loss) from investments** Accumulated other comprehensive income (loss) arising from changes in the fair value of investments accounted for as available-for-sale. On the cash flow analysis statement the account is used in computing long-term investments, a component of investment of sustainable free cash flow and in computing other nonrecurring cash receipts (disbursements), a component of investment of sustainable free cash flow.

**Accumulated benefit obligation** The actuarial present value of any pension benefits earned to date on a defined benefit pension plan. Measurement is based on historical compensation rates for pay-related plans.

**Accumulated depreciation** The cumulative amount by which property, plant and equipment has been expensed through depreciation through time.

**Accumulated depreciation / Property, plant and equipment, gross** The cumulative proportion that property, plant and equipment gross has been expensed through depreciation. The measure provides an approximation to the portion of property, plant and equipment that has been consumed through operations and affords some insight into the age of a firm's productive capacity.

**Accumulated depreciation, PP&E** The cumulative amount that property, plant and equipment has been expensed through depreciation. It is reported as a contra asset to property, plant and equipment, gross. On the financial performance report the account is used in computing ratios measuring activity.

**Accumulated other comprehensive income (loss)** Cumulative gains or losses reported in shareholders' equity that arise from changes in the fair value of available-for-sale securities, from the effects of changes in foreign-currency exchange rates on consolidated foreign-currency financial statements, from certain gains and losses on financial derivatives and from adjustments for under-funded pension plans. On the cash flow analysis statement the account is used in computing other nonrecurring cash receipts (disbursements), a component of investment of sustainable free cash flow.

**Acquisitions** The cash paid in acquiring another business entity.

**Acquisitions-related intangibles** Intangible assets, other than goodwill, arising as a result of an acquisition. Examples include patents, trademarks, brands, customer lists and non-compete agreements.

**Activity (in revenue days)** Performance measures focused on analyzing efficiency of operations by expressing various balance sheet accounts in terms of revenue days, the number of days it would take to recover the item through revenue from core operations measured on a per-day basis using a 365-day year.

**Actual change in cash and equivalents** A term used on the cash flow analysis statement that consists of the change in cash and cash equivalents between reporting periods.

**Additional minimum pension liability** The excess of the accumulated benefit obligation, both vested and nonvested, over the fair value plan assets on a defined-benefit pension plan that must be added to liabilities as reported on the balance sheet. If the pension plan sponsor's books do not already carry a net pension liability equal to or greater than the excess of the accumulated benefit obligation over the fair value of plan assets, then an adjustment, known as the additional minimum pension liability, is recorded for the amount needed to bring the previously reported net pension liability up to the amount of the excess of the accumulated benefit obligation over the fair value of plan assets. On the cash flow analysis statement the account is used in computing other nonrecurring cash receipts (disbursements), a component of investment of sustainable free cash flow.

**Additional paid-in capital** The dollar amount of an entity's capital paid in by common shareholders in excess of that amount considered to be legal capital. Generally, it is the proceeds received upon the issue of shares in excess of par value or stated value. Additional paid-in capital represents one component of common shareholders' claims on the assets, earnings and cash flows of an entity resulting from amounts paid in when shares were issued to them. On the cash flow analysis statement the account is used in computing common equity financing, a component of financing transactions.

**Adj. for income taxes paid (recovered) on material non-operating gains or losses** An adjustment to income taxes (paid) recovered on continuing operations for tax payments or recoveries related to investing-related or financing-related transactions. For example, income taxes (paid) on continuing operations would be reduced for taxes paid on a gain from the sale of an investment (an investing-related transaction). Similarly, income taxes (paid) on continuing operations would be increased for a tax recovery arising from a loss incurred on an early-retirement of debt (a financing-related transaction). Such adjustments remove the related taxes from operating cash flow and transfer their amounts to other nonrecurring cash receipts (disbursements).

**Adjusted EBITDA** Conventional Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA) with additional adjustments for other non-cash or nonrecurring items of revenue, expense, gain, and loss.

**Adjusted operating cash flow** Reported operating cash flow adjusted for the reclassification of selected nonoperating items and for nonrecurring items of operating cash flow. See also: [Sustainable operating cash flow](#)

**Adjustment for income taxes paid (recovered) on material non-operating gains or losses** An adjustment to income taxes (paid) recovered on continuing operations for tax payments or recoveries related to investing-related or financing-related transactions. For example, income taxes (paid) on continuing operations would be reduced for taxes paid on a gain from the sale of an investment (an investing-related transaction). Similarly, income taxes (paid) on continuing operations would be increased for a tax recovery arising from a loss incurred on an early-retirement of debt (a financing-related transaction). Such adjustments remove the related taxes from operating cash flow and transfer their amounts to other nonrecurring cash receipts (disbursements).

**Adjustment for income taxes paid on material non-operating gains** An adjustment to income taxes (paid) or recovered for taxes related to investing or financing items.

**Adjustments for non-cash and non-operating items:** On the cash flow statement (indirect method) these are adjustments to Income (loss) from continuing operations in the computation of sustainable operating cash flow.

**Advertising expense** The amount of selling, general and administrative expense incurred on marketing, advertising and other promotional activities during the reporting period.

**Aftertax sustainable earnings return on average assets** The percent earnings return generated by average total assets during a period. Calculated by dividing sustainable earnings by average total assets. Sustainable earnings are adjusted to exclude known items of nonrecurring revenue, gain, expense and loss.

**Aggressive cost capitalization** Cost capitalization that stretches the flexibility within generally accepted accounting principles beyond its intended limits, resulting in reporting as assets items that should have been expensed.

**AICPA** The American Institute of Certified Public Accountants. The AICPA is the national association of CPAs in the United States.

**Allowance for doubtful accounts on accounts receivable** The amount of outstanding accounts receivable at the balance sheet date that are estimated to be uncollectible. It is reported as a contra-asset, subtracted on the balance sheet from outstanding accounts receivable. On the financial performance report the account is used in computing ratios measuring activity. See also: [Allowance for doubtful receivables](#)

**Allowance for doubtful accounts on notes receivable** The amount of outstanding notes receivable at the balance sheet date that are estimated to be uncollectible. It is reported as a contra-asset, subtracted on the balance sheet from outstanding notes receivable. On the financial performance report the account is used in computing ratios measuring activity. See also: [Allowance for doubtful receivables](#)

**Allowance for doubtful receivables** The amount of outstanding receivables, including accounts receivable and notes receivable, at the balance sheet date that are estimated to be uncollectible. It is reported as a contra-asset, subtracted on the balance sheet from outstanding accounts receivable and/or notes receivable.

**Allowance for doubtful receivables / Operating receivables, gross** The percentage of outstanding operating receivables that are deemed to be uncollectible. It is calculated by dividing the allowance for doubtful receivables by operating receivables before the allowance for doubtful receivables is subtracted.

**Alternative minimum tax (AMT)** A tax beyond that computed under the regular income tax system. Various adjustments are made to regular taxable income, e.g., the excess of accelerated over straight-line depreciation, to arrive at alternative minimum taxable income. A preliminary tax is then computed on this revised earnings number using the AMT tax rate of 20%. If the AMT tax exceeds the regular tax, then this higher amount must be paid. Once paid, the additional tax beyond that under the regular system may be carried forward without limit. This AMT carryforward can reduce tax payments in future years when the regular tax exceeds the AMT tax.

**Amortization expense on acquisition-related intangibles** Non-cash amortization expense calculated on intangibles added as part of a corporate acquisition. Amortization expense is no longer computed on goodwill. Amortization expense on acquisition-related intangibles is computed by taking the change in accumulated amortization on acquisition-related intangibles. In computing capital expenditures it is subtracted from depreciation and amortization incl. in cost of revenue and in SG&A.

**Amortization incl. in SG&A** Non-cash amortization expense calculated on operations-related intangibles that is included as part of selling, general and administrative expense.

Amortization incl. in SG&A may be disclosed on the statement of cash flows or in a footnote to the financial statements. On the cash flow analysis statement the account is used in computing selling, general and administrative expense (excl. depreciation & amortization), a component of cash operating expense, and in computing investment in operations-related intangibles, a component of investment to support operations.

**Amortization incl. in SG&A (YTD)** Quarterly, year-to-date non-cash amortization expense calculated on operations-related intangibles that is included as part of selling, general and administrative expense. Amortization incl. in SG&A may be disclosed on the statement of cash flows or in a footnote to the financial statements. On the cash flow analysis statement the account is used in computing selling, general and administrative expense (excl. depreciation & amortization), a component of cash operating expense, and in computing investment in operations-related intangibles, a component of investment to support operations.

**Amortization period for capitalized debt issue costs (in years, set >0)** On the forecast financial statements, the assumed period over which capitalized debt issue costs, when they exist, are to be amortized. The amortization period must be set at an amount greater than zero. A typical amortization period is 5 years.

**Analysis of Core Operating Cash Flow** A summary of the cash impact of growth and the cash impact of changes in operating cushion and operating working capital days on core operating cash flow.

**Analysis of income taxes before adj for taxes on material non-operating gains or losses and excluding tax benefits from stock options** An identification of the cash flow drivers and the cash impacts affecting income taxes (paid) recovered before any adjustment is made for material non-operating gains or losses and before the inclusion of any tax benefits from stock options.

**Analysis of Income Taxes Paid** A summary of the cash impact of growth and the cash impact of changes in the tax cash-flow profile on income taxes paid.

**Annual templates** Standardized and custom Cash Flow Analytics, LLC financial report formats designed to use annual data.

**Annualized aftertax sustainable earnings return on average assets** Sustainable earnings divided by average total assets for a quarter, expressed as an annual rate.

**Annualized pretax sustainable earnings return on average assets** The percent pretax earnings return generated by average total assets during a period. For quarterly financial statements, it is calculated by dividing annualized pretax sustainable earnings by average total assets. Pretax sustainable earnings are adjusted to exclude known items of nonrecurring revenue, gain, expense and loss.

**Annualized sustainable earnings return on average equity** The percent earnings return generated by average total shareholders' equity during a period. For quarterly financial statements it is calculated by dividing annualized sustainable earnings by average total shareholders' equity. Sustainable earnings are adjusted to exclude known items of nonrecurring revenue, gain, expense and loss.

**As % of cash flow available for debt service** Measured cash impacts divided by cash flow available for debt service.

**As % of cash flow available for investment** Measured cash impacts divided by cash flow available for investment.

**As % of core operating cash flow** Measured cash impacts divided by core operating cash flow.

**Assets and Liabilities - Other (Net Change)** The period-to-period increase or decrease in other operating assets and liabilities not classified as accounts receivable, inventory, accounts payable or accrued liabilities.

**Assumed disbursement period for restructuring and merger-related reserve (in years, set >0)** Input data for Cash Flow Analytics, LLC forecast reports. The item measured the period over which a restructuring and / or a merger-related reserve, if any, will be settled The assumed period must be set greater than zero.

**Available-for-sale security** A default classification for an investment in a debt or equity security that is not classified as either a held-to-maturity security or a trading security.

**Average diluted shares outstanding** The weighted average number of diluted common shares outstanding during a reporting period.

**Average diluted shares outstanding during period / Avg. basic shares outstanding** A measure of potential future dilution of average basic shares outstanding through the issue of additional common shares resulting from option exercises and conversions of convertible securities.

**Average diluted shares outstanding growth** The percentage change in the average diluted shares outstanding from one period to the next. The measure is one indication of the effects of dilution through the issue of additional common shares.

**Average exercise price on options exercised during period / Closing market price** An approximation of the per-share discount received by purchasers of common stock as a result of options exercised during the period.

**Average exercise price on options granted during period / Closing market price** An approximation of the per-share discount to be received by recipients of options during the period based on the current market price.

**Average exercise price on options outstanding / Closing market price** An approximation of the per-share discount to be received by holders of options based on the current market price.

**Average interest-bearing borrowings** The average principal amount during a period on short-term and long-term debt and capital lease obligations on which interest accrues. Calculated by dividing two into the sum of the beginning balance plus ending balance of all interest-bearing borrowings.

**Average preferred stock** The average amount of issued preferred stock during a period. Calculated by dividing two into the sum of the beginning balance plus ending balance of preferred stock.

**Average useful life of property, plant and equipment (yrs)** The depreciation period used for property, plant and equipment. A high or increasing average useful life of property, plant and equipment could indicate that a firm is taking longer than it should to depreciate property, plant and equipment, potentially overstating earnings and leaving reported amounts of property, plant and equipment at risk for an impairment charge. It is computed by finding the reciprocal of the depreciation rate, that is, 1 divided by the depreciation rate.

**Avg. basic shares outstanding during period** The weighted average number of basic common shares outstanding during a reporting period.

**Avg. diluted shares outstanding during period** The weighted average number of diluted common shares outstanding during a reporting period. On the cash flow analysis statement the account is used in computing sustainable operating cash flow per diluted share and sustainable free cash flow per diluted share.

**Avg. exercise price per share on options granted** The average exercise price per share on options granted during the period. On the financial performance report, the account is used in calculating ratios measuring dilution.

**Avg. exercise price per share on options outstanding** The average exercise price per share on options outstanding at period end. On the financial performance report, the account is used in calculating ratios measuring dilution.

**Avg. exercise price per share received for options exercised (CF Adj)** The average exercise price per share received on options exercised during the period. This is a cash flow adjustment item. The amount is disclosed in the notes to the financial statements. On the cash flow analysis statement the account is used in computing net cash paid in buyback of shares for options, a component of other recurring cash receipts (disbursements) and in computing common equity financing, a component of financing transactions.

**Avg. price paid for common shares repurchased** The average price paid for common shares repurchased during a period. The model automatically calculates the amount by dividing cash paid for common shares repurchased during period by the no. of common shares repurchased during period. On the cash flow analysis statement the account is used in computing net cash paid in buyback of shares for options, a component of other recurring cash receipts (disbursements).

## B

**Bal Sheets** Abbreviation for balance sheet.

**Balance Sheet** A Cash Flow Analytics, LLC report designed to report a firm's financial position as of a point in time with particular emphasis on assets and liabilities that are central to a firm's cash flow generations, including operating working capital asset and operating working capital liabilities, other operations-related assets and other investing-related assets, other operations-related liabilities and other financing-related liabilities.

**Balance sheet adjustment** An automatic adjustment made by CFA to account for the difference, if any, between total assets and the sum of total liabilities, mezzanine interests, and shareholders' equity. Reported as a component of other shareholders' equity.

**Balance sheet forecast input** Input data for Cash Flow Analytics, LLC forecast reports derived from the balance sheet.

**Balance sheet out of balance** An amount that is automatically calculated that is needed to render an equality between total assets and total liabilities, mezzanine interests and shareholders' equity. When the balance sheet is out of balance, the user will be prompted with a warning indicating that a careful check should be made to determine the reason and resolve the discrepancy. On the cash flow analysis statement the account is used in computing other equity-related financing, a component of financing transactions.

**Bank overdraft** Checks presented for payment that exceed a company's bank balance. A book overdraft becomes a bank overdraft when outstanding checks are presented for payment.

**Bankruptcy remote entity** The status of an entity, typically a special-purpose entity, that protects its assets from the claims of creditors or shareholders of the company that created it and likely controls it, in the event that that sponsoring company experiences financial difficulties.

**Billings in excess of cost + profit** Billings in excess of cost incurred plus profit recognized on contracts accounted for under percentage-of-completion accounting. The account is a form of deferred revenue because it represents billings to customers in excess of revenue recognized. On the cash flow analysis statement the account is used in computing change in deferred revenue, a component of cash from revenue.

**Bollinger Bands** The purpose of Bollinger Bands is to provide a relative definition of high and low. By definition prices are high at the upper band and low at the lower band. This definition can aid in rigorous pattern recognition and is useful in comparing price action to the action of indicators to arrive at systematic trading decisions.

Bollinger Bands consist of a set of three curves drawn in relation to securities prices. The middle band is a measure of the intermediate-term trend - a simple moving average - that serves as the base for the upper and lower bands. The interval between the upper and lower bands and the middle band is determined by the standard deviation of the same data that were used for the average. The default parameters, 20 periods and 2 standard deviations, may be adjusted to suit your purposes.

**Book income** Net income reported in the shareholder income statement as opposed to the tax return.

**Book overdraft** A negative cash balance for reporting purposes consisting of the excess of outstanding checks over a stated bank cash balance.

**Book value per common share** Common shareholders' equity per common share outstanding at period end.

**Books** A shorthand reference to shareholder as opposed to income tax financial information.

**Borrowings (Short-term and long-term)** All borrowings, including short-term debt, the current and noncurrent portions of long-term debt and capital lease obligations, other financial services obligations and noncurrent subordinated debt.

**Borrowings + debt equivalence of leases** A measure of the total debt burden of a firm calculated by adding the calculated debt equivalence of leases to reported borrowings.

**(Borrowings + Debt equivalence of leases) / Shareholders' equity** A measure of financial leverage calculated as borrowings plus the debt equivalence of leases divided by shareholders' equity. It measures the amount of borrowings and the debt equivalence of leases for every dollar of shareholders' equity. Higher amounts denote higher financial leverage.

**(Borrowings + Debt equivalence of leases) / Tangible net worth** A measure of financial leverage calculated as borrowings plus the debt equivalence of leases divided by tangible net worth. It measures the amount of borrowings and the debt equivalence of leases for every dollar of tangible net worth. Higher amounts denote higher financial leverage.

**Borrowings / Shareholders' equity** A measure of financial leverage calculated as total borrowings divided by total shareholders' equity. It measures the amount of total borrowings for every dollar of shareholders' equity. Higher amounts denote higher financial leverage. Note that the metric is not meaningful (NM) when shareholders' equity is negative. Importantly, however, for measures of the one-year change in leverage and the three-year CAGR in leverage, a negative shareholders' equity is an indication of a very high amount of leverage. As such, the change in leverage is calculated to be a positive amount of a minimum of 100% when shareholders' equity turns negative.

**Borrowings / Tangible net worth** A measure of financial leverage calculated as total borrowings divided by tangible net worth. It measures the amount of total borrowings for every dollar of tangible net worth. Higher amounts denote higher financial leverage.

**Borrowings less cash and investments (Neg amount denotes net cash and investments)** The excess of borrowings over cash and short-term investments. It represents the amount due if cash and short-term investments were used to repay debt. When the measure is negative it indicates that cash and short-term investments exceed borrowings.

**Borrowings less cash and investments per share** Borrowings less cash and investments divided by the number of common shares outstanding at period end.

## C

**Calculated average diluted shares outstanding** The weighted average number of diluted common shares outstanding during a reporting period.

**Calculated net income (loss)** Net income as calculated by the model measured by netting all revenues and gains with expenses and losses. The account is used as a data-entry check. A warning indicator is given when calculated net income (loss) is not equal to company reported net income (loss). When the two amounts are not equal, reasons for the difference should be identified and resolved.

**Calculated to reported capital expenditures** Capital expenditures as computed using a balance sheet change approach measured relative to capital expenditures as reported on the company-prepared statement of cash flows.

**Calculated to reported change in inventory** The change in inventory as computed using a balance sheet change approach measured relative to the change in inventory as reported on the company-prepared statement of cash flows.

**Calculated to reported change in payables and accruals** The change in operating payables and accruals as computed using a balance sheet change approach measured relative to the change in accounts payable and accruals as reported on the company-prepared statement of cash flows.

**Calculated to reported change in receivables** The change in operating receivables as computed using a balance sheet change approach measured relative to the change in accounts receivable as reported on the company-prepared statement of cash flows.

**Calculation of income taxes (paid) recovered** The computation of income taxes (paid) or recovered based on income from continuing operations using income tax expense and changes in tax-related balance sheet accounts.

**Call option** A contract that gives its holder the right to buy an asset, typically a financial instrument, at a specified price through a specified date.

**Capital expenditures** Expenditures made in the purchase of long-term productive assets such as property, plant and equipment, whose cost is amortized against income in future periods. It is measured net of cash received for related asset dispositions. It is calculated as the change in the book value of PP&E, increased for depreciation expense and impairment charges on PP&E, reduced for gains on disposal and increased for losses on disposal, and reduced for interest capitalized to PP&E, which is used to increase interest paid.

**Capital expenditures and investment to revenue %** Capital expenditures and other investment needed to support operations that are directly linked to revenue growth, consisting of investment in operations-related intangibles and investment in other ops-related assets, as a percentage of revenue from core operations. Short-term changes in disbursements for capital expenditures and other investment needed to support operations can raise or lower sustainable free cash flow. Capital expenditures and investment to support operations to revenue % provides insight into the effects on sustainable free cash flow of changes in spending patterns for capital expenditures and investment to support operations

**Capital expenditures cash-flow profile** The driver underlying capital expenditures. In particular, capital expenditures are measured as a percentage of revenue from core operations on the presumption that capital expenditures will generally grow along with revenue and the scale of operations.

**Capital expenditures equivalent of (additions) to operating leases** The net (increase) in the capitalized value of operating leases, which serves as a proxy for the capital expenditures equivalent of new operating leases.

**Capital Expenditures Profile:** A component of the free cash growth profile reflecting the intensity of capital spending relative to revenue, measured as capital expenditures and investment to support operations divided by revenue.

**Capital expenditures to depreciation on property, plant and equipment** The number of times that capital expenditures cover a proxy for the portion of property, plant and equipment consumed during a reporting period. Measures above one indicate that productive capacity is being increased. Measures below one indicate that productive capacity is being depleted.

**Capital expenditures to revenue %** Capital expenditures divided by revenue from core operations. Short-term changes in disbursements for capital expenditures can raise or lower sustainable free cash flow. Capital expenditures to revenue % provides insight into the effects on sustainable free cash flow of changes in capital expenditure patterns.

**Capital lease** A lease that transfers, in an economic sense, the risks and rewards of ownership to the lessee without transferring title. Lease payments made are comprised of interest and principal. Property held under a capital-lease agreement is accounted for as an asset. This cost is amortized over the relevant useful life.

**Capitalize into perpetuity at 12.5%** An estimate of the present value of operating leases calculated dividing the current rent expense by the discount rate of 12.5%.

**Capitalized debt-issue costs** Costs incurred in the incurrence and issue of debt, including but not limited to such costs as, commitment fees, appraisals, legal fees, recording fees, and points. Capitalized debt-issue costs are amortized to interest expense over the term of the debt issue. On the cash flow analysis statement the account is used in computing total interest paid, a component of sustainable operating cash flow.

**Capitalized interest** Interest incurred during the construction period on monies invested in assets under construction that is added to the cost of the assets. Interest may be capitalized to inventory or to property, plant and equipment under construction. Capitalized interest should be kept separate from other capitalized operating expenses. Adjustments are made to remove capitalized interest from inventory and PP&E and add it to interest paid.

**Capitalized operating expenses** Expenditures that are reported as assets to be amortized against future revenue. Examples include software development costs, direct-response advertising, customer and policy acquisition costs, oil exploration and development costs and motion picture development expenses. While capitalized operating expenses typically have no established period over which they are utilized, leaving choice of an amortization period open to management, prepaid expenses have a pre-established or measurable period over which they are consumed.

**Capitalized operating expenses (in revenue days)** Capitalized operating expenses measured in terms of revenue from core operations per day. Calculated as capitalized operating expenses divided by revenue from core operations measured on a daily basis using a 365-day year. See also: [Capitalized operating expenses days](#)

**Capitalized operating expenses days** Capitalized operating expenses measured in terms of revenue from core operations per day. Calculated as capitalized operating expenses divided by revenue from core operations measured on a daily basis using a 365-day year. See also: [Capitalized operating expenses \(in revenue days\)](#)

**Capitalized operating expenses to revenue %** Capitalized operating expenses as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations tied up in capitalized operating expenses as of the end of a reporting period.

**Cash** Currency, coin, and funds on deposit that are available for immediate withdrawal without restriction. Money orders, certified checks, cashier's checks, personal checks, and bank drafts are also considered cash.

**Cash (paid) in buyback of shares for options** The net cash used in the repurchase of shares issued as a result of option exercises.

**Cash and equivalents** The balance in cash and cash equivalents as reported on the balance sheet. On the cash flow analysis statement the account is used in computing change in cash and equivalents after financing.

**Cash and equivalents - beginning historical balance** On the forecast balance sheets this account measures the balance in cash and cash equivalents as reported on the last available historical balance sheet before the beginning of the forecast period.

**Cash and equivalents - beginning of period** The balance in cash and cash equivalents as reported on the balance sheet at the end of the previous reporting period and at the beginning of the current reporting period.

**Cash and equivalents - end of period** The balance in cash and cash equivalents as reported on the balance sheet at the end of the current reporting period. On the forecast balance sheets this account is computed as cash and equivalents - beginning historical balance plus the projected cumulative increase (decrease) in cash and equivalents.

**Cash and equivalents days** cash and cash equivalents measured in terms of revenue from core operations per day. Calculated as cash and cash equivalents divided by revenue from core operations measured on a daily basis using a 365-day year.

**Cash and equivalents to revenue %** Cash and cash equivalents divided by revenue

**Cash and short-term investments** Cash and cash equivalents plus short-term investments and trading securities.

**Cash and short-term investments days** Cash and cash equivalents and short-term investments measured in terms of revenue from core operations per day. Calculated as cash and cash equivalents and short-term investments divided by revenue from core operations measured on a daily basis using a 365-day year.

**Cash and short-term investments per outstanding share** Cash and cash equivalents plus short-term investments and trading securities all divided by the number of common shares outstanding at period end.

**Cash and short-term investments to revenue %** Cash and cash equivalents plus short-term investments divided by revenue

**Cash and short-term investments to revenue %** Cash and cash equivalents plus short-term investments divided by revenue

**Cash cost of revenue** Cash payments to vendors and other suppliers, including employees, for the purchase of products and the procurement of services provided to customers. Calculated as the cost of revenue (excluding depreciation and amortization) adjusted for the change in inventory and the change in operating payables.

**Cash cycle** The time span, calculated based on revenue from core operations measured on a daily basis using a 365-day year, during which a firm's own cash is used to acquire or produce goods and services, which in turn are sold to customers, who in turn ultimately pay for their purchases in cash. It is calculated as operating receivables days plus inventory (incl. capitalized interest) days plus capitalized operating expenses days, plus prepaids days, minus deferred revenue days, minus operating payables days minus accruals days. Reductions in the cash cycle indicate improving efficiencies in managing operating working capital. See also: [Operating working capital measured in revenue days](#)

**Cash dividend coverage (Sustainable free cash flow - Required principal payments) / Dividends on common stock** A coverage ratio that measures the number of times that sustainable free cash flow calculated after required principal payments on long-term debt and capital lease obligations covers dividends on common stock.

**Cash Dividends** Cash paid for common and preferred dividends as carried on the company-reported indirect method statement of cash flows.

**Cash earnings** Net income plus goodwill amortization.

**Cash equivalents** Short-term and highly liquid investments readily convertible into known amounts of cash and close enough to maturity (e.g., original maturities of 90 days or less) that there is insignificant risk of changes in value from interest rate movements.

**Cash flow** An unspecified term that may refer to either total cash flow or operating cash flow. In most cases, use of the term refers to operating cash flow.

**Cash flow adjustment item** There are numerous nonoperating and nonrecurring items for which reported operating cash flow should be adjusted before it is used in analysis. The Cash Flow Analysis Statement adjusts for most of these items with entry of company-reported data from the statements of income and balance sheet. However, certain adjustments require additional manual data input. These adjustment items, found on the Statement of Income and Related Data Input spreadsheet, are labeled with an asterisk (\*) and the letters (CF Adj). Note that with quarterly financial statements, data necessary for manual input are typically not available. See also: [CF Adj](#)

**Cash flow analysis** The search for the fundamental drivers that underlie a company's cash flow stream and affect its sustainability.

**Cash Flow Analysis Statement** A Cash Flow Analytics, LLC report designed to facilitate analysis that provides multiple partitions of the overall change in cash and cash equivalents and highlight sustainable and nonrecurring sources and uses of cash. The statement is a combination of the direct and indirect cash flow formats, showing the reconciliation of key items from the statement of income to their cash flow counterparts. Important subtotals on the cash flow analysis statement include Core operating cash flow, Sustainable operating cash flow, and Sustainable free cash flow.

**Cash Flow Analytics Score™** The Cash Flow Analytics, LLC proprietary model stock selection score. The score ranges from 0 to 7. In their research paper, *An Examination of Abnormal Returns Generated by the Cash Flow Analytics Proprietary Model*, Jonathan Clarke and Charles Mulford demonstrate that stocks with Cash Flow Analytics Scores of 0 or 1 significantly under-performed a size-based index while stocks with scores of 6 or 7 significantly out-performed a size-based index. Stocks with scores of 2 or 3 moderately under-performed and stocks with scores of 4 or 5 moderately out-performed a size-based index.

**Cash flow available for debt service** Core operating cash flow plus other recurring cash receipts (disbursements) and less income taxes paid. Cash flow available for debt service is cash flow available for the payment of interest and required principal payments on debt and capital leases.

**Cash flow available for debt service / (Interest paid + Required principal payments)** The number of times that cash flow available for debt service covers interest paid and required principal payments on long-term debt and capital lease obligations. It is a measure of debt service coverage indicating how well cash flow that is available to service debt covers total interest paid and the required principal payments on long-term debt and capital lease obligations.

**Cash flow available for debt service / Interest paid** The number of times that cash flow available for debt service covers total interest paid. It is a measure of debt service coverage indicating how well cash flow that is available to service interest covers total interest paid.

**Cash flow available for debt service growth rate** The percentage change in cash flow available for debt service from one period to the next.

**Cash flow available for debt service growth rate (over same quarter previous year)** The percentage change in cash flow available for debt service from the same quarter the previous year to the current quarter.

**Cash flow available for debt service to total debt service requirements** The number of times that cash flow available for debt service covers total debt service requirements. It is a measure of debt service coverage indicating how well cash flow that is available to service debt covers total interest paid and the required principal payments on long-term debt and capital lease obligations.

**Cash flow available for debt service to total interest paid** The number of times that cash flow available for debt service covers total interest paid. It is a measure of debt service coverage indicating how well cash flow that is available to service interest covers total interest paid.

**Cash flow available for investment** Cash flow available for capital expenditures and other investments needed to support operations. It is calculated as sustainable operating cash flow less dividends paid on preferred stock.

**Cash flow available for investment / Investment to support operations** A coverage ratio that measures the number of times that cash flow available for capital expenditures and other investments needed to support operations covers such investments needed to support operations.

**Cash flow available for investment growth rate** The percentage change in cash flow available for investment from one period to the next.

**Cash flow available for investment growth rate (over same quarter previous year)** The percentage change in cash flow available for investment between the same quarter of the previous year and the current quarter.

**Cash Flow Drivers - Four Quarters Ending** The factors that drive or result in increases or decreases in core operating cash flow, sustainable operating cash flow and sustainable free cash flow over time measured here for a four-quarters ending reporting period. An understanding of cash flow drivers facilitates the formation of expectations regarding cash flow sustainability.

**Cash Flow Drivers Report** A Cash Flow Analytics, LLC report designed to highlight the factors driving core operating cash flow, sustainable operating cash flow, and sustainable free cash flow higher or lower over time so that sustainability of those measures can better be assessed and expectations can be formed regarding a firm's ability to continue generating them.

**Cash flow growth profile™** The capacity of a firm to generate cash flow as it grows, without referring to specifically whether the cash flow generated is core operating cash flow or sustainable free cash flow. A firm's core operating growth profile™ is the capacity of the firm to generate core operating cash flow as it grows and reflects a combination of its operating cushion and operating working capital requirements, expressed as a percentage of revenue. A firm's free cash growth profile™ is the capacity of the firm to generate sustainable free cash flow as it grows and reflects a combination of its core operating growth profile™, income taxes paid as a % of revenue, and capital expenditures and other investments needed to support operations all expressed as a percentage of revenue. The cash flow growth profile™ is forward looking and reports the amount of cash flow that can be expected for any measured amount of growth in revenue under the assumption that a firm's core operating growth profile™ and/or its free cash growth profile™ remain unchanged. A firm with a positive cash flow growth profile™ can grow operations and produce increasing amounts of cash flow. A firm with a negative cash flow growth profile™ will require other sources of cash to support revenue growth.

**Cash flow per diluted common share** A cash flow measure divided by the diluted number of common shares outstanding during a reporting period.

**Cash Flow Snapshot** A Cash Flow Analytics, LLC report designed to provide a quick view of trends in one company's cash flow performance over time or how a company compares with others at a point in time.

**Cash flow snapshot** A Cash Flow Analytics report designed to provide a quick view of trends in one company's cash flow performance over time or how a company compares with others at a point in time.

**Cash flow statement and other sources** Sources of data for input to Cash Flow Analytics, LLC reports that come primarily from a company prepared statement of cash flows.

**Cash Flow Summary** A summary of the components of Sustainable free cash flow.

**Cash Flow Summary - Four Quarters Ending** A summary of the components of Sustainable free cash flow for a four-quarters ending reporting period.

**Cash flow sustainability™** A measure of the sustainability of reported operating cash flow. It is computed as the difference between sustainable operating cash flow and reported operating cash flow expressed as a percent of revenue. Sustainable operating cash flow will typically differ from reported operating cash flow due to various nonoperating and/or nonrecurring items. The inclusion of nonoperating and/or nonrecurring cash flow items in reported operating cash flow will result in readings below 0. The Cash Flow Analysis Statement adjusts for most of these items with entry of company-reported data from the statements of income and balance sheet. However, certain adjustments require additional manual data input. These adjustment items, found on the Statement of Income and Related Data Input spreadsheet, are labeled with an asterisk (\*) and the letters (CF Adj). Note that with quarterly financial statements, data necessary for manual input are typically not available. See also: [CF Adj](#); [Cash flow adjustment item](#)

**Cash from revenue** Cash collections from customers for product sales and services provided. Calculated as revenue from core operations adjusted for the change in operating receivables and the change in deferred revenue.

**Cash gross margin** Cash from revenue minus cash cost of revenue. It is a cash-based measure of gross profit.

**Cash impact of change in accruals days** The measured effects of the change in accruals days on the change in accruals from one period to the next.

**Cash impact of change in capitalized operating expenses days** The measured effects of the change in capitalized operating expenses days on the change in capitalized operating expenses from one period to the next.

**Cash impact of change in deferred revenue days** The measured effects of the change in deferred revenue days on the change in deferred revenue from one period to the next.

**Cash impact of change in GM %** The measured effects of the change in gross margin % on the change in gross margin (excl. depreciation & amortization) from one period to the next.

**Cash impact of change in gross margin %** The measured effects of the change in gross margin % on the change in gross margin (excl. depreciation & amortization) from one period to the next.

**Cash impact of change in inventory days** The measured effects of the change in inventory days on the change in inventory (incl. capitalized interest) from one period to the next.

**Cash impact of change in operating cushion %** The measured effects of the change in operating cushion % on the change in operating cushion from one period to the next.

**Cash impact of change in operating receivables days** The measured effects of the change in operating receivables days on the change in operating receivables from one period to the next.

**Cash impact of change in operating working capital days** The measured effects of the change in operating working capital days on the change in operating working capital from one period to the next.

**Cash impact of change in payables days** The measured effects of the change in payables days on the change in payables from one period to the next.

**Cash impact of change in prepaids days** The measured effects of the change in prepaids days on the change in prepaids from one period to the next.

**Cash impact of change in R&D %** The measured effects of the change in R&D % on the change in research and development expense from one period to the next.

**Cash impact of change in receivables days** The measured effects of the change in receivables days on the change in operating receivables from one period to the next.

**Cash impact of change in SG&A %** The measured effects of the change in SG&A % on the change in selling, general and administrative expense (excl. depreciation & amortization) from one period to the next.

**Cash impact of changes in operating cushion** A summary of the measured effects of changes in the components of operating cushion %, gross margin %, SG&A % and R&D %, on the change in operating cushion from one period to the next.

**Cash impact of chgs in capex and investment to revenue % on capex** The measured effects of changes in capital expenditures and investment to revenue % on the change from one period to the next in capital expenditures and investment to support operations.

**Cash impact of chgs in capex to revenue % on capex** The measured effects of changes in capital expenditures to revenue % on the change in capital expenditures from one period to the next.

**Cash impact of chgs in investment in ops-related intangibles to revenue %** The measured effects of changes in investment in operations-related intangibles to revenue % on the change in investment in operations-related intangibles from one period to the next.

**Cash impact of chgs in investment in other ops-related assets to revenue %** The measured effects of changes in investment in operations other operations-related assets to revenue % on the change in investment in other operations-related assets from one period to the next.

**Cash impact of chgs in operating cushion & operating working capital days** The measured effects of the change in operating cushion % on the change in operating cushion from one period to the next plus the measured effects of the change in operating working capital days on the change in operating working capital from one period to the next.

**Cash impact of growth** The total measured effects of growth in revenue from core operations on various cash flow drivers.

**Cash impact of growth and chgs in capex to revenue % on capex** The measured effects of growth in revenue from core operations and changes in capital expenditures to revenue % on the change in capital expenditures from one period to the next.

**Cash impact of growth and chgs in investment in ops-related intangibles to revenue %** The measured effects of growth in revenue from core operations and changes in investment in operations-related intangibles to revenue % on the change in investment in operations-related intangibles from one period to the next.

**Cash impact of growth and chgs in investment in other ops-related assets to revenue %** The measured effects of growth in revenue from core operations and changes in investment in other operations-related assets to revenue % on the change in investment in other operations-related assets from one period to the next.

**Cash impact of growth and chgs in op. cushion and op. working capital days** The measured effects of growth in revenue from core operations on changes in operating cushion and operating working capital from one period to the next plus the measured effects of changes in operating cushion % on the change in operating cushion from one period to the next and the effects of changes in operating working capital days on the change in operating working capital from one period to the next.

**Cash impact of growth on accruals** The measured effects of growth in revenue from core operations on the change in accruals from one period to the next.

**Cash impact of growth on capex** The measured effects of growth in revenue from core operations on the change in capital expenditures from one period to the next.

**Cash impact of growth on capex and investment** The measured effects of growth in revenue from core operations on the change from one period to the next in capital expenditures and investment to support operations.

**Cash impact of growth on capital expenditures** The measured effects of growth in revenue from core operations on the change in capital expenditures from one period to the next.

**Cash impact of growth on capitalized operating expenses** The measured effects of growth in revenue from core operations on the change in capitalized operating expenses from one period to the next.

**Cash impact of growth on deferred revenue** The measured effects of growth in revenue from core operations on the change in deferred revenue from one period to the next.

**Cash impact of growth on gross margin** The measured effects of growth in revenue from core operations on the change in gross margin from one period to the next.

**Cash impact of growth on inventory** The measured effects of growth in revenue from core operations on the change in inventory from one period to the next.

**Cash impact of growth on investment in ops-related intangibles** The measured effects of growth in revenue from core operations on the change in investments in operations-related intangibles from one period to the next.

**Cash impact of growth on investment in other ops-related assets** The measured effects of growth in revenue from core operations on the change in investment in other operations-related assets from one period to the next.

**Cash impact of growth on operating cushion** The measured effects of growth in revenue from core operations on the change in operating cushion from one period to the next.

**Cash impact of growth on operating payables** The measured effects of growth in revenue from core operations on the change in operating payables from one period to the next.

**Cash impact of growth on operating receivables** The measured effects of growth in revenue from core operations on the change in operating receivables from one period to the next.

**Cash impact of growth on operating working capital** The measured effects of growth in revenue from core operations on the change in operating working capital from one period to the next.

**Cash impact of growth on other ops-related assets** The measured effects of growth in revenue from core operations on the change in investment in other operations-related assets from one period to the next.

**Cash impact of growth on prepaids** The measured effects of growth in revenue from core operations on the change in prepaids from one period to the next.

**Cash impact of growth on R&D** The measured effects of growth in revenue from core operations on the change in R&D from one period to the next.

**Cash impact of growth on SG&A** The measured effects of growth in revenue from core operations on the change in SG&A from one period to the next.

**Cash impact on capital expenditures** The measured effects of growth in revenue from core operations and changes in capital expenditures to revenue % on capital expenditures.

**Cash impact on investment in operations-related intangibles** The measured effects of growth in revenue from core operations and changes in investment in operations-related intangibles to revenue % on investment in operations-related intangibles.

**Cash impact on investment in other ops-related assets** The measured effects of growth in revenue from core operations and changes in investment in other operations-related assets to revenue % on investment in other operations-related assets.

**Cash impacts on accruals** The measured effects of growth in revenue from core operations and changes in accruals days on the change in accruals from one period to the next.

**Cash impacts on capitalized operating expenses** The measured effects of growth and changes in capitalized operating expenses days on the change in capitalized operating expenses from one period to the next.

**Cash impacts on deferred revenue** The measured effects of growth in revenue from core operations and changes in deferred revenue days on the change in deferred revenue from one period to the next.

**Cash impacts on gross margin (excl. depreciation & amortization)** The measured effects of growth in revenue from core operations and changes in GM % on the change in gross margin (excl. depreciation & amortization) from one period to the next.

**Cash impacts on inventory** The measured effects of growth in revenue from core operations and changes in inventory days on the change in inventory from one period to the next.

**Cash impacts on operating cushion** The measured effects of growth in revenue from core operations and changes in profitability, namely gross margin %, SG&A % and R&D %, on changes in operating cushion from one period to the next.

**Cash impacts on operating payables** The measured effects of growth in revenue from core operations and changes in operating payables days on the change in operating payables from one period to the next.

**Cash impacts on operating receivables** The measured effects of growth in revenue from core operations and changes in operating receivables days on the change in operating receivables from one period to the next.

**Cash impacts on operating working capital** The measured effects of growth in revenue from core operations and changes in operating working capital days on the change in operating working capital from one period to the next.

**Cash impacts on prepaids** The measured effects of growth in revenue from core operations and changes in prepaids days on the change in prepaids from one period to the next.

**Cash impacts on research and development** The measured effects of growth in revenue from core operations and changes in R&D % on the change in research and development expense from one period to the next.

**Cash impacts on SG&A (excl. depreciation & amortization)** The measured effects of growth in revenue from core operations and changes in SG&A % on the change in selling, general and administrative expense (excl. depreciation & amortization) from one period to the next.

**Cash operating expense** Cash paid for sales and marketing, general and administrative, and research and development expenditures. It is calculated as selling, general and administrative expense (excluding depreciation and amortization) plus research and development expense, adjusted for changes in capitalized operating expenses, prepaids and accruals.

**Cash paid for acquisitions** Cash disbursements, net of cash received, made for acquisitions during a period as reported in the investing section of a company-prepared statement of cash flows. The account is used on the cash flow drivers report to measure the impact of acquisitions and other transactions, such as translation effects due to changes in currency exchange rates, on reported cash provided (used) by operating activities. See also: [Reported cash paid for acquisitions](#)

**Cash paid for acquisitions (YTD)** The quarterly, year-to-date cash disbursements, net of cash received, made for acquisitions during a period as reported in the investing section of a company-prepared statement of cash flows. The account is used on the cash flow drivers report to measure the impact of acquisitions and other transactions, such as translation effects due to changes in currency exchange rates, on reported cash provided (used) by operating activities. See also: [Reported cash paid for acquisitions](#)

**Cash paid for common shares repurchased during period (CF Adj)** Cash disbursements for repurchases of shares. This is a cash flow adjustment item. It is disclosed on the statement of cash flows in the cash provided or used by financing activities section. On the cash flow analysis statement the account is used in computing net cash paid in buyback of shares for options, a component of other recurring cash receipts (disbursements) and cash flow available for debt service and in computing common equity financing, a component of financing transactions. Note that for the model to complete the calculation of cash paid in buyback of shares for options, five input items are needed: (1) \*No. Of common shares repurchased during period (mln) (CF Adj) (2) \*Tax benefits from stock options exercised (CF Adj) (3) \*Cash paid for common shares repurchased during period (CF Adj) (4) \*No. Of common stock options exercised during period (CF Adj) and (5) \*Avg. Exercise price per share received for options exercised (CF Adj).

**Cash provided or used by financing activities** A term defined by generally accepted accounting principles that consists of cash receipts and payments involving liability and stockholders' equity items, including obtaining cash from creditors and repaying amounts borrowed and obtaining capital from owners and providing them with a return on and a return of, their investments. See also: [Reported cash provided \(used\) by financing activities](#)

**Cash provided or used by investing activities** A term defined by generally accepted accounting principles that consists of that consists of cash receipts and payments involving long-term assets, including making and collecting loans and acquiring and disposing of investments and property, plant and equipment. See also: [Reported cash provided \(used\) by investing activities](#)

**Cash provided or used by operating activities** A term defined by generally accepted accounting principles that consists of that consists of the cash effects of transactions that enter into the determination of net income such as cash receipts from sales of goods and services and cash payments to suppliers and employees for acquisitions of inventory and services. Interest and income taxes paid are also included. Also referred to as operating cash flow and cash flow from operations. See also: [Reported cash provided \(used\) by operating activities](#)

**Cash surrender value of life insurance** That portion of a life insurance premium that will be returned to the policyholder in the event the policy is canceled.

**Cash, short-term and long-term investments per outstanding share** Cash and cash equivalents plus short-term investments and trading securities plus long-term investments, all divided by the number of common shares outstanding at period end.

**Cash-basis accounting** In contrast to the accrual basis, under this accounting basis revenues are recognized as cash is received and expenses as cash is paid.

**Cash-flow drivers** The fundamental factors, especially those of growth and changes in profitability and efficiency, that serve to increase or decrease core operating cash flow, sustainable operating cash flow and sustainable free cash flow over time.

**Cash-flow impact** The measured effects of cash-flow drivers, especially of growth and changes in profitability and efficiency, on core operating cash flow, sustainable operating cash flow and sustainable free cash flow.

**Cash-flow impact summary** A summary of all measured effects of cash-flow drivers, especially of growth and changes in profitability and efficiency, on core operating cash flow, sustainable operating cash flow and sustainable free cash flow.

**Cash-flow profile** Performance measures focused on analyzing cash flow results.

**Cash-flow tracking** Determining whether cash flows are associated with nonrecurring items of revenue, gain, expense, and loss. The timing of the cash flows is also investigated.

**CCM™ Core cash margin™** The percentage of revenue from core operations that results in core operating cash flow. It is driven by a firm's operating cushion and its requisite investment in operating working capital.

**CF Adj** An abbreviation to indicate that the input is a cash flow adjustment item. There are numerous nonoperating and nonrecurring items for which reported operating cash flow should be adjusted before it is used in analysis. The Cash Flow Analysis Statement adjusts for most of these items with entry of company-reported data from the statements of income and balance sheet. However, certain adjustments require additional manual data input. These adjustment items, found on the Statement of Income and Related Data Input spreadsheet, are labeled with an asterisk (\*) and the letters (CF Adj). Note that with quarterly financial statements, data necessary for manual input are typically not available. See also: [Cash flow adjustment item](#)

**CF Drivers** Abbreviation for Cash Flow Drivers Report.

**CFA Industrial Classification System** CICS. Based on a study by E. Fama and K. French, "Industry costs of equity," *Journal of Financial Economics*, Volume 43, pp. 153 - 193. The classification system maps the SIC (Standard Industrial Classification) to a reduced set of 49 industries.

**CFA Score™** The Cash Flow Analytics, LLC proprietary model stock selection score. The score ranges from 0 to 7. In their research paper, *An Examination of Abnormal Returns Generated by the Cash Flow Analytics Proprietary Model*, Jonathan Clarke and Charles Mulford demonstrate that stocks with scores of 0 or 1 significantly under-performed a size-based index while stocks with scores of 6 or 7 significantly out-performed a size-based index. Stocks with scores of 2 or 3 moderately under-performed and stocks with scores of 4 or 5 moderately out-performed a sized-based index.

**CFA Score™ (Four Quarters Ending)** The Cash Flow Analytics Score™ measured for a four-quarters ending reporting period.

**CFA Stmts** Abbreviation for Cash Flow Analysis Statement.

**Change in accounting principle (gain) loss** Income from operations and the gain or loss on disposal of a discontinued business segment or separately measured business unit. It is reported after income tax effects have been subtracted. On the cash flow statement (indirect method) the account balance is removed from net income (loss) in computing Income (loss) from continuing operations. See also: [Discontinued operations](#)

**Change in accounting principle gain (loss)** The cumulative, prior-years income effect of a change in accounting principle. It is reported after income tax effects have been subtracted. On the cash flow analysis statement the account is used in computing other nonrecurring cash receipts (disbursements), a component of investment of sustainable free cash flow.

**Change in accruals** The period-to-period increase or decrease in operating costs or expenses that have been incurred but not paid. An increase in accruals, a liability, is a source of cash; a decrease is a use of cash. See also: [Accruals](#)

**Change in accum other comprehensive income (loss) from investments** A source or (use) of cash arising from the increase or decrease in accumulated other comprehensive income or (loss) related to available-for-sale investments.

**Change in accumulated other comprehensive income** A term used on the cash flow analysis statement that refers to the change in accumulated other comprehensive income between reporting periods.

**Change in additional minimum pension liability** A source or (use) of cash arising from the period-to-period increase or decrease in the additional minimum pension liability.

**Change in balance sheet adjustment** The period-to-period change in the balance sheet adjustment account. On the cash flow analysis statement, an increase is a source of cash and a decrease is a use of cash included in Other equity-related financing in the Financing transactions section.

**Change in capitalized debt-issue costs** The period-to-period increase or decrease in capitalized debt-issue costs. An increase in capitalized debt-issue costs, an asset, is a use of cash; a decrease is a source of cash.

**Change in capitalized operating expenses** The period-to-period increase or decrease in capitalized operating expenses, or assets to be amortized against future revenue. An increase in capitalized operating expenses is a use of cash; a decrease is a source of cash. See also: [Capitalized operating expenses](#)

**Change in cash and equivalents** The actual change in cash and equivalents during a reporting period. It can be calculated as the ending balance in cash and equivalents less the beginning balance.

**Change in cash and equivalents after financing** The actual change in cash and equivalents during a reporting period. It can be calculated as the ending balance in cash and equivalents less the beginning balance. It can also be calculated as the change in cash and equivalents before external financing plus cash provided from external financing less cash used in external financing.

**Change in cash and equivalents before financing** Sustainable free cash flow less investments of sustainable free cash flow. It is the change in cash and equivalents excluding the effects of any external financing. See also: [Change in cash before external financing](#)

**Change in cash before external financing** Sustainable free cash flow less investments of sustainable free cash flow. It is the change in cash and equivalents excluding the effects of any external financing. See also: [Change in cash and equivalents before financing](#)

**Change in common equity** The period-to-period change in common equity. On the cash flow analysis statement, an increase is a source of cash and a decrease is a use of cash reported as Common equity financing in the Financing transaction section.

**Change in deferred revenue** The period-to-period increase or decrease in revenue that is collected in advance of being earned. An increase in deferred revenue, a liability, is a source of cash; a decrease is a use of cash. See also: [Deferred revenue](#)

**Change in deferred tax assets** The period-to-period increase or decrease in future tax benefits resulting from deductible temporary differences or loss or tax-credit carryovers. An increase in deferred tax assets is a use of cash; a decrease is a source of cash. See also: [Deferred tax assets](#)

**Change in deferred tax assets to income before income taxes (On the change in deferred tax assets)** The measured effects of the change in deferred tax assets to income before income taxes on the change in deferred tax assets from one period to the next.

**Change in deferred tax liabilities** The period-to-period increase or decrease in future tax obligations resulting from taxable temporary differences. An increase in deferred tax liabilities is a source of cash; a decrease is a use of cash. See also: [Deferred tax liabilities](#)

**Change in deferred tax liabilities to income before income taxes (On the change in deferred tax liabilities)** The measured effects of the change in deferred tax liabilities to income before income taxes on the change in deferred tax liabilities from one period to the next.

**Change in dividends payable** The period-to-period change in dividends payable. On the cash flow analysis statement, an increase is a source of cash and a decrease is a use of cash reported as Dividends on common stock in the Financing transactions section.

**Change in effective tax rate (On the change in income tax (expense) benefit)** The measured effects of the change in the effective tax rate on the change in income tax (expense) benefit from one period to the next.

**Change in goodwill and acquisition-related intangibles, net** The period-to-period change in goodwill and acquisition-related intangibles, net. On the cash flow analysis statement, a decrease is a source of cash and an increase is a use of cash reported in the Investment of sustainable free cash flow section.

**Change in gross margin (excl. depreciation and amortization)** The period-to-period increase or decrease in gross margin (excl. depreciation and amortization). An increase in gross margin (excl. depreciation and amortization) is a source of cash, a decrease is a use of cash.

**Change in income tax (expense) benefit** The period-to-period increase or decrease in income taxes (paid) or recovered resulting from a change in the total (provision) benefit for income taxes.

**Change in income taxes payable** The period-to-period increase or decrease in income taxes presently due and payable to a taxing authority. An increase in income taxes payable, a liability, is a source of cash; a decrease is a use of cash. See also: [Income taxes payable](#)

**Change in income taxes payable to income before income taxes (On the change in income taxes payable)** The measured effects of the change in income taxes payable to income before income taxes on the change in income taxes payable from one period to the next.

**Change in intangible pension asset** The (use) or source of cash arising from an increase or decrease in an intangible asset related to a company's pension plan.

**Change in interest payable** The period-to-period increase or decrease in amounts due for interest incurred. An increase in interest payable, a liabilities, is a source of cash; a decrease is a use of cash.

**Change in inventory** The period-to-period increase or decrease in the cost of goods held for resale in the ordinary course of operations as reported on the cash flow analysis statement. An increase in inventory, an asset, is a use of cash; a decrease is a source of cash. The change in inventory from one period to the next is adjusted for interest capitalized and for any provision for inventory impairment. For example, an increase in inventory from one period to the next is reduced for interest capitalized to inventory, which is also used to adjust upward interest paid. An increase in inventory is also adjusted upward for any provision for impairment of inventory, which is used to reduce cost of revenue. See also: [Change in inventory](#); [Inventory](#); [Inventory \(incl. capitalized interest\)](#)

**Change in inventory (incl. capitalized interest)** The increase or decrease in inventory resulting in a (use) or source of cash, calculated to include the effects of capitalized interest, if any.

**Change in inventory on balance sheet** The period-to-period increase or decrease in the cost of goods held for resale in the ordinary course of operations as reported on the balance sheet, excluding adjustments for interest capitalized to inventory and any provision ofr inventory impairment. An increase in inventory, an asset, is a use of cash; a decrease is a source of cash. See also: [Change in inventory](#); [Inventory](#); [Inventory \(incl. capitalized interest\)](#)

**Change in inventory on cash flow analysis statement** The period-to-period increase or decrease in the cost of goods held for resale in the ordinary course of operations. An increase in inventory, an asset, is a use of cash; a decrease is a source of cash. The change in inventory from one period to the next is adjusted for interest capitalized and for any provision for inventory impairment. For example, an increase in inventory from one period to the next is reduced for interest capitalized to inventory, which is also used to adjust upward interest paid. An increase in inventory is also adjusted upward for any provision for impairment of inventory, which is used to reduce cost of revenue. See also: [Change in inventory](#); [Inventory](#); [Inventory \(incl. capitalized interest\)](#)

**Change in investments in other assets** The period-to-period change in other unidentified assets. On the cash flow analysis statement, an increase is a use of cash and a decrease is a source of cash as reported in the Investment of sustainable cash flow section.

**Change in leverage** The one-year change in leverage measured as a percentage of the previous year's amount. Leverage is measured as total borrowings divided by shareholders' equity. When shareholders' equity is a negative amount, leverage is reported as NM. The change in leverage from a positive to a negative amount or from a negative amount to a more negative amount is reported as an increase in leverage. The change in leverage from a negative amount to a less negative or positive amount is reported as a reduction in leverage.

**Change in long-term financing obligations** The period-to-period change in long-term financing obligations. On the cash flow analysis statement, an increase is a source of cash and a decrease is a use of cash reported as Long-term debt financing in the Financing transactions section.

**Change in long-term investments** The period-to-period change in the balance in long-term investments. On the cash flow analysis statement, an increase is a use of cash and a decrease is a source of cash reported in the Investment of sustainable free cash flow section.

**Change in minority interest in equity** The period-to-period change in minority interest in equity. On the cash flow analysis statement, an increase is a source of cash and a decrease is a use of cash reported as Other equity-related financing in the Financing transactions section.

**Change in net assets of discontinued operations** The period-to-period change in net assets of a discontinued business segment or unit. On the cash flow analysis statement the account balance decline is reported as disposition of discontinued operations, a source of cash, in the Investment of sustainable free cash flow section.

**Change in operating cushion** The period-to-period increase or decrease in operating cushion. An increase in operating cushion is a source of cash, a decrease is a use of cash. See also: [Operating cushion](#)

**Change in operating payables** The period-to-period increase or decrease in amounts due vendors, including accounts payable and notes payable, for purchases made. An increase in operating payables, a liability, is a source of cash; a decrease is a use of cash. See also: [Operating payables](#)

**Change in operating receivables** The period-to-period increase or decrease in amounts due from customers, including accounts receivable and notes receivable, as reported on the cash flow analysis statement. An increase in operating receivables, an asset, is a use of cash; a decrease is a source of cash. The change in operating receivables from one period to the next is adjusted for any provision for doubtful receivables. For example, an increase in operating receivables is adjusted upward for a provision for doubtful receivables, which is also used to reduce selling, general and administrative expense. See also: [Change in operating receivables](#); [Operating receivables](#)

**Change in operating receivables before provision for writedown of receivables** The increase or decrease in operating receivables resulting in a (use) or source of cash, calculated before a writedown, if any, of the underlying receivables.

**Change in operating receivables on balance sheet** The period-to-period increase or decrease in amounts due from customers, including accounts receivable and notes receivable as reported on the balance sheet. Excluded is the effect on operating receivables of the provision for doubtful receivables incl. in SG&A. An increase in operating receivables, an asset, is a use of cash; a decrease is a source of cash.

**Change in operating receivables on cash flow analysis statement** The period-to-period increase or decrease in amounts due from customers, including accounts receivable and notes receivable, as reported on the cash flow analysis statement. An increase in operating receivables, an asset, is a use of cash; a decrease is a source of cash. The change in operating receivables from one period to the next is adjusted for any provision for doubtful receivables. For example, an increase in operating receivables is adjusted upward for a provision for doubtful receivables, which is also used to reduce selling, general and administrative expense. See also: [Change in operating receivables](#); [Operating receivables](#)

**Change in operating working capital** The period-to-period increase in operating working capital, or assets, including operating receivables, inventory, prepaids and capitalized operating expenses, that are used in operations less liabilities, including deferred revenue, operating payables, and accruals, that are incurred in operations. An increase in operating working capital is a use of cash, a decrease in operating working capital is a source of cash. See also: [Operating working capital](#)

**Change in other mezzanine interests** The period-to-period change in other mezzanine interests, items not included with liabilities or shareholders' equity. On the cash flow analysis statement, an increase is a source of cash and a decrease is a use of cash as Other equity-related financing in the Financing transactions section.

**Change in other operations-related liabilities** A source or (use) of cash resulting from an increase or decrease in other unidentified operations-related liabilities.

**Change in prepaids** The period-to-period increase or decrease in costs or expenses that have been paid in advance of being incurred. An increase in prepaids, an asset, is a use of cash; a decrease is a source of cash. See also: [Prepaids](#)

**Change in property, plant and equipment, net** The period-to-period increase or decrease in the book value of property, plant and equipment, or property, plant and equipment at cost less accumulated depreciation. An increase in property, plant and equipment, an asset, is a use of cash used in the calculation of capital expenditures; a decrease is a source of cash. See also: [Property, plant and equipment, net](#)

**Change in research and development expense** The period-to-period increase or decrease in research and development expense. An increase in R&D is a use of cash, a decrease is a source of cash.

**Change in restructuring and merger-related reserve** The source or (use) of cash resulting from an increase or decrease in a restructuring or merger-related reserve liability.

**Change in SG&A expense (excl. depreciation and amortization)** The period-to-period increase or decrease in selling, general and administrative expense (excl. depreciation and amortization). An increase in SG&A expense (excl. depreciation and amortization) is a use of cash, a decrease is a source of cash.

**Change in short-term investments and trading securities** The period-to-period change in the balance in short-term investments and trading securities. On the cash flow analysis statement, an increase is a use of cash and a decrease is a source of cash as reported in the Investment of sustainable free cash flow section.

**Change in tax refund receivable** The period-to-period increase or decrease in a refund due from a taxing authority for income taxes paid in excess of amounts due. An increase in a tax refund receivable, an asset, is a use of cash; a decrease is a source of cash. See also: [Tax refund receivable](#)

**Change in tax refund receivable to income before income taxes (On the change in tax refund receivable)** The measured effects of the change in tax refund receivable to income before income taxes on the change in the tax refund receivable from one period to the next.

**Changes in Current Debt** Sources or (uses) of cash from issuing or repaying short-term debt as carried on the company-reported indirect method statement of cash flows.

**CICS** The CFA Industrial Classification System. Based on a study by E. Fama and K. French, "Industry costs of equity," *Journal of Financial Economics*, Volume 43, pp. 153 - 193. The classification system maps the SIC (Standard Industrial Classification) to a reduced set of 49 industries.

**Closing market price per share of common stock** The closing price on the last day of trading for the current period. Closing price is used in computing ratios measuring valuation.

**Commercial paper and financing-related notes payable** Short-term financing obligations, including notes payable, negotiable instruments, and other forms of short-term borrowings. On the cash flow analysis statement the account is used in computing short-term debt financing, a component of financing transactions.

**Common dividends declared** The dollar amount of dividends declared on common stock during the reporting period.

**Common equity** A corporation's residual ownership claims, including common stock, additional paid-in capital, retained earnings, accumulated other comprehensive income, other shareholders' equity, less stock held in treasury.

**Common equity financing** Net proceeds from the issue of common stock. Changes in deferred compensation and subscription notes receivable are included in this caption.

**Common equity-related financing** A term used exclusively on the quarterly cash flow analysis statement to denote all financing related to common shareholders. Included in this caption are common stock and additional paid-in capital, other positive (negative) equity accounts, stock held in (treasury), other equity-related financing, (which includes minority interest in (income) loss, change in minority interest in equity, change in other mezzanine interests, and change in balance sheet adjustment), other inc (dec) in retained earnings, (which includes the change in retained earnings unexplained by net income (loss), dividends on preferred stock paid in cash, and dividends on common stock paid in cash), option and non-cash compensation expense incl. in SG&A, and interest paid with common stock.

**Common Size Balance Sheet** A Cash Flow Analytics, LLC report designed to show all line items of the balance sheet measured as a percentage of total assets.

**Common Size Cash Flow Analysis Statement** A Cash Flow Analytics, LLC report designed to show all line items of the cash flow analysis statement measured as a percentage of revenue from core operations.

**Common Size Statement of Income** A Cash Flow Analytics, LLC report designed to show all line items of the statement of income measured as a percentage of revenue from core operations.

**Common stock** The dollar amount of an entity's legal capital represented by the par value, stated value or, for common stock without a par value or stated value, the proceeds received upon the issue of shares. Common stock represents one component of common shareholders' claims on the assets, earnings and cash flows of an entity resulting from amounts paid in when shares were issued to them. On the cash flow analysis statement the account is used in computing common equity financing, a component of financing transactions.

**Common stock and additional paid-in capital** Used for quarterly financial statements, the combination of common stock, the dollar amount of an entity's legal capital represented by the par value, stated value or, for common stock without a par value or stated value, the proceeds received upon the issue of shares plus additional paid-in capital, the dollar amount of an entity's capital paid in by common shareholders in excess of that amount considered to be legal capital. Netted against common stock and additional paid-in capital for quarterly financial statements are deferred compensation and subscription notes receivable.

**Common stock dividend paid in stock** The dollar amount of shares of common stock issued in lieu of the cash payment of dividends on common stock. On the cash flow analysis statement the account is used in computing dividends on common stock, a component of financing transactions and in computing common equity financing, a component of financing transactions.

**Company reported cash flows:** Cash provided (used) by operating activities, investing activities and financing activities as actually reported by the company. Also reported is the effects of exchange rate changes on cash.

**Company reported net income (loss)** Net income (loss) as reported by the company. The account is used as a data-entry check. A warning indicator is given when calculated net income (loss) is not equal to company reported net income (loss). When the two amounts are not equal, reasons for the difference should be identified and resolved.

**Condensed Quarterly Balance Sheet** A Cash Flow Analytics, LLC report designed to report a firm's financial position as of the end of a quarterly reporting period with particular emphasis on assets and liabilities that are central to a firm's cash flow generations, including operating working capital asset and operating working capital liabilities, other operations-related assets and other investing-related assets, other operations-related liabilities and other financing-related liabilities. Because of reduced disclosures available for interim financial statements, certain line items on the quarterly balance sheet are combined.

**Condensed Quarterly Cash Flow Analysis Statement** A Cash Flow Analytics, LLC quarterly report designed to facilitate analysis that provides multiple partitions of the overall change in cash and cash equivalents and highlight sustainable and nonrecurring sources and uses of cash. The statement is a combination of the direct and indirect cash flow formats, showing the reconciliation of key items from the statement of income to their cash flow counterparts. Important subtotals on the cash flow analysis statement include Core operating cash flow, Sustainable operating cash flow, and Sustainable free cash flow. Because of reduced disclosures available for interim financial statements, certain line items on the quarterly cash flow analysis statement are combined.

**Condensed Quarterly Cash Flow Analysis Statement Supporting Detail** Calculations supporting amounts reported on the quarterly cash flow analysis statement.

**Condensed Quarterly Statement of Income** A Cash Flow Analytics, LLC report designed to show the results of profit-directed activities over a quarter with a particular emphasis on sources of sustainable income. The statement highlights the results of core operations, including revenue from core operations, gross profit from core operations and operating profit from core operations, and the results of non-core operations, including other income (expense) recurring and other income (expense) nonrecurring. Because of reduced disclosures available for interim financial statements, certain line items on the quarterly statement of income are combined.

**Core cash margin™ CCM™** Core operating cash flow divided by revenue

**Core Cash Profile TM** See Core Cash Growth Profile TM

**Core operating cash flow** Cash flow generated by core or central operations, before income taxes, other cash receipts and disbursements and before the payment of interest on borrowed funds. It is calculated as cash gross margin less cash operating expense.

**Core operating cash flow (in revenue days)** Input data for Cash Flow Analytics, LLC forecast reports that relate to operating working capital assets and liabilities and determine a forecast cash cycle.

**Core operating cash flow growth rate** The percentage change in core operating cash flow from one period to the next.

**Core operating cash flow growth rate (over same quarter previous year)** The percentage change in core operating cash flow between the same quarter the previous year and the current quarter.

**Core operating growth profile™** The capacity of a firm to generate core operating cash flow as it grows reflecting a combination of its operating cushion and operating working capital requirements, expressed as a percentage of revenue. It is measured as operating cushion % less operating working capital to revenue %. It is forward looking and reports the amount of core operating cash flow that can be expected for any measured amount of growth in revenue under the assumption that a firm's current mix of operating cushion and operating working capital remains unchanged. A firm with a positive operating growth profile™ can grow operations and produce increasing amounts of core operating cash flow. A firm with a negative operating growth profile™ will require other sources of cash to support revenue growth.

**Cost + profit in excess of billings** Cost incurred plus profit recognized in excess of amounts billed on contracts accounted for under percentage-of-completion accounting. Cost incurred plus profit recognized also equals revenue recognized on contracts. The account is similar to trade receivables and is often referred to as unbilled receivables. The account is typically classified as a current asset even though realization of amounts owed may not be collected for a period that extends beyond one year. On the cash flow analysis statement the account is used in computing change in operating receivables, a component of cash from revenue. See also: [Unbilled receivables](#)

**Cost of revenue** The cost of generating revenue from core operations, including the cost of goods sold and the cost of services provided. Depreciation and amortization expense, if any, are included. On the cash flow analysis statement the account is used in computing cost of revenue (excl. depreciation & amortization), a component of cash cost of revenue.

**Cost of revenue (excl. depreciation & amortization)** The cost of generating revenue from core operations, including the cost of goods sold and the cost of services provided, before the non-cash expenses of depreciation and amortization of productive capacity and before any non-cash provision for impairment of inventory.

**Cost of revenue to revenue %** The cost of generating revenue from core operations, including the cost of goods sold and the cost of services provided measured as a percentage of revenue from core operations. Depreciation and amortization expense, if any, are included in cost of revenue.

**Coverage** Performance measures focused on analyzing the extent to which various claims are covered by earnings and cash flow amounts available to meet them.

**CQI™ Cash quality indicator™** A measure of the sustainability of reported operating cash flow. It is computed as the ratio of sustainable operating cash flow to reported operating cash flow and is reported in percentage terms. The inclusion of nonoperating and/or nonrecurring cash flow items in reported operating cash flow will result in readings of CQI™ below 100. Sustainable operating cash flow will typically differ from reported operating cash flow due to various nonoperating and/or nonrecurring items. The Cash Flow Analysis Statement adjusts for approximately half of these items with entry of company-reported data from the statements of income and balance sheet. However, certain adjustments require additional manual data input. These adjustment items, found on the Statement of Income and Related Data Input spreadsheet, are labeled with an asterisk (\*) and the letters (CF Adj). Note that with quarterly financial statements, data necessary for manual input are typically not available. See also: [CF Adj](#); [Cash flow adjustment item](#)

**Creative cash flow reporting** Any and all steps used to alter operating cash flow and, in the process, provide a more positive signal about a firm's sustainable cash-generating ability. Creative cash flow reporting may entail steps taken within the boundaries of GAAP, beyond those boundaries, or by the inclusion of nonrecurring amounts in operating cash flow. See also: [Opportunistic cash flow classifications](#)

**CS.BS** Abbreviation for Common Size Balance Sheet.

**CS.CFA** Abbreviation for Common Size Cash Flow Analysis Statement.

**CS.Inc** Abbreviation for Common Size Income Statement.

**Cumulative effect of a change in accounting principle** The cumulative prior-year income effect of a change from one generally accepted accounting principle to another.

**Current accrued expenses payable** Incurred operating costs or expenses that have not been paid and for which payment is due within one year or the operating cycle, whichever is longer. On the cash flow analysis statement the account is used in computing change in accruals, a component of cash operating expense. See also: [Accruals](#)

**Current and operating working capital assets** The sum of all assets classified as current plus other operating working capital assets that may not be classified as current. Consists of cash and short-term investments, operating working capital assets, current tax-related assets, and other current assets.

**Current and operating working capital liabilities** The sum of all liabilities classified as current plus other operating working capital liabilities that may not be classified as current. Consists of operating working capital liabilities, current tax-related liabilities, current financing-related liabilities, and other current liabilities.

**Current assets** Cash and cash equivalents and assets expected to be converted to cash and cash equivalents or consumed within one year or the operating cycle, whichever is longer.

**Current assets of discontinued operations** Current assets of business segment or separately-reported business unit that is scheduled for disposition. On the cash flow analysis statement the account is used in computing disposition of discontinued operations, a component of investment of sustainable free cash flow.

**Current capitalized operating expenses** Expenditures that are reported as assets to be amortized against future revenue and that are to be expensed within one year or the operating cycle, whichever is longer. On the cash flow analysis statement the account is used in computing change in capitalized operating expenses, a component of cash operating expense. See also: [Capitalized operating expenses](#)

**Current deferred revenue** Revenue that is collected in advance of being earned and is reported as a liability. Because it is classified as current, the revenue is expected to be earned within one year or the operating cycle, whichever is longer. Also referred to as unearned revenue, customer deposits, and for airlines, air traffic liability. For contractors, deferred revenue consists of amounts billed customers in excess of cost plus profit recognized. On the cash flow analysis statement the account is used in computing change in deferred revenue, a component of cash from revenue. See also: [Deferred revenue](#)

**Current deferred tax assets** Future tax benefits that result from (1) the origination of a deductible temporary difference, that is, a tax deduction that can be used in a future period, or (2) a loss or tax-credit carryover. These future tax benefits are realized upon the reversal of deductible temporary differences. In addition, realization can occur by the offsetting of a loss carryforward against taxable income or a tax credit carryforward against taxes currently payable. The current classification arises from the fact that these deferred tax assets arise from balance-sheet items that are classified as current, such as the allowance for doubtful accounts, an inventory reserve, warranty reserve, or accrued other expenses payable that are not currently deductible for tax purposes. When linked to a loss or tax-credit carryover, deferred tax assets are classified as current when the carryover is expected to be realized within one year or the operating cycle, whichever is longer. On the cash flow analysis statement the account is used in computing income taxes (paid) recovered on continuing operations, a component of investment of cash flow available for debt service.

**Current deferred tax assets to income before income taxes %** Future tax benefits that result from (1) the origination of a deductible temporary difference, that is, a tax deduction that can be used in a future period, or (2) a loss or tax-credit carryover measured as a percentage of income before income taxes. The current classification arises from the fact that these deferred tax assets arise from balance-sheet items that are classified as current. See also: [Current deferred tax assets](#)

**Current deferred tax liabilities** Future tax obligations that result from the origination of taxable temporary differences. When they originate, these temporary differences cause pretax book income to exceed taxable income. These future tax obligations are later paid when temporary differences reverse, now causing taxable income to exceed pretax book income. The current classification arises from the fact that these deferred tax liabilities arise from balance-sheet items that are classified as current, such as a current asset that is being amortized more rapidly for tax purposes than book purposes or an installment note receivable. On the cash flow analysis statement the account is used in computing income taxes (paid) recovered on continuing operations, a component of cash flow available for debt service.

**Current deferred tax liabilities to income before income taxes** Future tax obligations that result from the origination of taxable temporary differences measured as a percentage of income before income taxes. The current classification arises from the fact that these deferred tax liabilities arise from balance-sheet items that are classified as current. See also: [Current deferred tax liabilities](#)

**Current financing-related liabilities** The balance sheet amount of financing-related obligations that are due within one year or the operating cycle, whichever is longer, consisting of interest payable, dividends payable, short-term debt and the current portion of long-term debt and capital lease obligations.

**Current income tax provision** The income tax for the period based upon taxable income reported in the corporate tax return. In most cases this amount, with adjustments for changes in taxes payable and refundable, should approximate the income tax actually paid or recovered during the year.

**Current liabilities** Liabilities expected to be repaid or otherwise settled within one year or the operating cycle, whichever is longer.

**Current liabilities of discontinued operations** Current liabilities of business segment or separately-reported business unit that is scheduled for disposition. On the cash flow analysis statement the account is used in computing disposition of discontinued operations, a component of investment of sustainable free cash flow.

**Current other notes receivable** Non-customer-related notes receivable due within one year or the operating cycle, whichever is longer. On the cash flow analysis statement the account is used in computing investment in notes receivable, a component of investment to support operations. See also: [Investment in notes receivable](#)

**Current other operating-related receivables, net** Amounts due from customers or other operating-related transactions that is due within one year or the operating cycle, whichever is longer. On the cash flow analysis statement the account is used in computing change in operating receivables, a component of cash from revenue. See also: [Customer-related notes receivable](#)

**Current portion, capital lease obligations** Principal on capital lease obligations that is due and payable within one year. On the annual and forecast annual cash flow analysis statement the opening balance in the account is reported as required principal payments on long-term debt and capital lease obligations, a component of financing transactions. On the quarterly cash flow analysis statement, required principal payments on long-term debt and capital lease obligations are included in long-term debt financing.

**Current portion, long-term debt** Principal on long-term debt that is due and payable within one year. On the annual and forecast annual cash flow analysis statement the opening balance in the account is reported as required principal payments on long-term debt and capital lease obligations, a component of financing transactions. On the quarterly cash flow analysis statement, required principal payments on long-term debt and capital lease obligations are included in long-term debt financing.

**Current portion, long-term debt & capital lease obligations** Principal on long-term debt and capital lease obligations that is due and payable within one year.

**Current prepaid expenses** Costs or expenses that have been paid in advance of being incurred and that are expected to be consumed within one year or the operating cycle, whichever is longer. On the cash flow analysis statement the account is used in computing change in prepaids, a component of cash operating expense. See also: [Prepaids](#)

**Current ratio (current and oper. working capital assets to current and oper. working capital liabilities)** The amount of current and operating working capital assets for every dollar of current and operating working capital liabilities. It is calculated as Current and operating working capital assets divided by current and operating working capital liabilities.

**Current tax-related assets** Tax-related assets generally expected to be realized within one year consisting of a tax refund receivable and current deferred tax assets.

**Current tax-related liabilities** Tax-related liabilities generally expected to be paid within one year consisting of income taxes payable and current deferred tax liabilities.

**Current vendor-related notes payable** Amounts due vendors within one year or the operating cycle, whichever is longer, for purchases made that are represented by a more formal obligation than credit due on open account. On the cash flow analysis statement the account is used in computing change in operating payables, a component of cash cost of revenue. See also: [Operating payables](#)

**Customer acquisition costs** Initial direct costs incurred in adding to a company's customer base, including direct-response advertising, commissions and related administrative costs. When capitalized, prospective customer-related revenues must be expected to exceed amounts capitalized. Depending on the industry, such costs may have other names, including subscriber acquisition costs and policy acquisition costs.

**Customer-related notes receivable** Amounts due from customers as a result of delivering goods or services that is represented by a more formal credit arrangement than open credit granted in the ordinary course of business. Examples include floor-plan financing and inventory financing. Often such customer-related notes receivable are referred to as wholesale notes receivable.

**Customer-related notes receivable incl. in other notes receivable (CF Adj)** The amount of notes receivable due from customers that are included with other notes receivable. This is a cash flow adjustment item. Such customer-related notes are typically disclosed in the notes to the financial statements. Such notes may be referred to as wholesale notes receivable or simply as customer-related notes receivable. On the cash flow analysis statement the account is used in computing change in operating receivables, a component of cash from revenue, and in computing investment in notes receivable, a component of investment to support operations.

**Cyclical developments** Changes in business activity that are caused by moves in the overall economy between expansion and recession.

## D

**Debt equivalence of operating leases** An estimate of the principal amount due if minimum rent expense paid in the current period represented an expenditure made for principal and interest due on outstanding debt. It is calculated by discounting minimum rent expense for the current period at a discount rate of 12.5%.

**Debt issue costs** The cost of issuing debt, including appraisal and recording fees, and commitment fees paid separately to a lender.

**Debt security** A security representing a debt relationship with an enterprise, including a government security, municipal security, corporate bond, convertible debt issue, and commercial paper. For accounting purposes, redeemable preferred stock is also considered to be a debt security.

**Decline stage** The fourth and final stage of a company's life cycle during which revenue declines and earnings turn to losses. Depending on the amount of non-cash expenses reported, such as depreciation and amortization expense, operating cash flow may remain positive until very late in the decline stage.

**Deductible temporary differences** Temporary differences that, upon their reversal, reduce taxable income. The initial tax effects of these temporary differences are recorded as deferred tax assets.

**Deferred charge** A title that is typically used to describe long-term prepaid expenses.

**(Deferred compensation)** The amount of equity-based compensation that has not, as yet, been earned. It is reported as a reduction in shareholders' equity and is amortized to compensation expense as it is earned. On the cash flow analysis statement the account is used in computing common equity financing, a component of financing transactions.

**Deferred revenue** Revenue that is collected in advance of being earned and is reported as a liability. Also referred to as unearned revenue, customer deposits, and for airlines, air traffic liability. For contractors, deferred revenue consists of amounts billed customers in excess of cost plus profit recognized.

**Deferred revenue (in revenue days)** Deferred revenue measured in terms of revenue from core operations per day. Calculated as deferred revenue divided by revenue from core operations measured on a daily basis using a 365-day year. See also: [Deferred revenue days](#)

**Deferred revenue days** Deferred revenue measured in terms of revenue from core operations per day. Calculated as deferred revenue divided by revenue from core operations measured on a daily basis using a 365-day year. See also: [Deferred revenue \(in revenue days\)](#)

**Deferred revenue to revenue %** Deferred revenue as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations that has been collected in advance as of the end of a reporting period.

**Deferred tax asset valuation allowance** A contra-asset account established when it is judged probable that some or all of a deferred tax asset balance will not be realized. A probability threshold of 50% is used in making this assessment. A valuation allowance is set off against deferred tax assets that have a probability of not being realized that exceeds 50%.

**Deferred tax assets** Future tax benefits that result from (1) the origination of a deductible temporary difference, that is, a tax deduction that can be used in a future period, or (2) a loss or tax-credit carryover. These future tax benefits are realized upon the reversal of deductible temporary differences. In addition, realization can occur by the offsetting of a loss carryforward against taxable income or a tax credit carryforward against taxes currently payable.

**Deferred tax assets to annualized income before income taxes %** Deferred tax assets as a percentage of annualized income before income taxes. In effect, the proportion of income before income taxes carried in future tax benefits as of the end of a reporting period. See also: [Deferred tax assets](#)

**Deferred tax assets to income before income taxes %** Deferred tax assets as a percentage of income before income taxes. In effect, the proportion of income before income taxes carried in future tax benefits as of the end of a reporting period. See also: [Deferred tax assets](#)

**Deferred tax liabilities** Future tax obligations that result from the origination of taxable temporary differences. When they originate, these temporary differences cause pretax book income to exceed taxable income. These future tax obligations are later paid when temporary differences reverse, now causing taxable income to exceed pretax book income.

**Deferred tax liabilities (net of amount arising from tax-related goodwill amortization)** Deferred tax liabilities measured after subtracting amounts arising from tax-related goodwill amortization. Goodwill arising from certain asset acquisitions is amortizable for tax purposes over a fifteen-year amortization period. The resulting tax deduction creates a temporary difference between book income and taxable income and a reduction in taxes due and payable for that period. In computing income taxes paid, deferred tax liabilities arising from tax-related goodwill amortization are netted against deferred tax liabilities and against goodwill and acquisition-related intangibles, effectively transferring the resulting tax savings out of operating cash flow and into investing cash flow.

**Deferred tax liabilities to annualized income before income taxes %** Deferred tax liabilities as a percentage of annualized income before income taxes. In effect, the proportion of income before income taxes carried in future tax obligations as of the end of a reporting period. See also: [Deferred tax liabilities](#)

**Deferred tax liabilities to income before income taxes %** Deferred tax liabilities as a percentage of income before income taxes. In effect, the proportion of income before income taxes carried in future tax obligations as of the end of a reporting period. See also: [Deferred tax liabilities](#)

**Deferred tax liability from tax-related goodwill amortization (CF Adj)** The cumulative amount of any deferred tax liability arising from the amortization of goodwill for income tax purposes. Goodwill arising from certain asset acquisitions is amortizable for tax purposes over a fifteen-year amortization period. The resulting tax deduction creates a temporary difference between book income and taxable income and a reduction in taxes due and payable for that period. This is a cash flow adjustment item. It is disclosed in the notes to the financial statements. On the cash flow analysis statement adjustments are made to income taxes (paid) recovered on continuing operations and to investments in goodwill and acquisition-related intangibles for changes in the deferred tax liability from tax-related goodwill amortization.

**Deferred tax provision or benefit** The income tax provision or benefit that is based upon the tax effects of the change during the period in cumulative temporary differences.

**Deferred Taxes** The non-cash component of income tax expense represented by the change in deferred tax assets and deferred tax liabilities as carried on the company-reported indirect method statement of cash flows.

**Depreciation and Amortization** Depreciation and amortization expense calculated on PP&E and other operations-related assets and intangibles that is included either in cost of revenue or selling, general and administrative expense.

**Depreciation and amortization incl. in cost of revenue as % of revenue** Non-cash depreciation and amortization expense calculated on PP&E and other operations-related assets and intangibles that is included as part of cost of revenue measured as a percentage of revenue from core operations. See also: [Depreciation incl. in cost of revenue](#)

**Depreciation and amortization incl. in SG&A as % of revenue** Non-cash depreciation and amortization expense calculated on PP&E and other operations-related assets and intangibles that is included as part of selling, general and administrative expense measured as a % of revenue from core operations. See also: [Amortization incl. in SG&A](#)

**Depreciation expense on property plant and equipment** The periodic amount of depreciation expense calculated on property, plant and equipment.

**Depreciation incl. in cost of revenue** Non-cash depreciation expense calculated on PP&E that is included as part of cost of revenue. Depreciation incl. in cost of revenue may be disclosed on the statement of cash flows or in a footnote to the financial statements. On the cash flow analysis statement the account is used in computing cost of revenue (excl. depreciation & amortization), a component of cash cost of revenue, and in computing capital expenditures, a component of investment to support operations.

**Depreciation incl. in cost of revenue (YTD)** Quarterly, year-to-date non-cash depreciation expense calculated on PP&E that is included as part of cost of revenue. Depreciation incl. in cost of revenue may be disclosed on the statement of cash flows or in a footnote to the financial statements. On the cash flow analysis statement the account is used in computing cost of revenue (excl. depreciation & amortization), a component of cash cost of revenue, and in computing capital expenditures, a component of investment to support operations.

**Depreciation proxy for replacement capital expenditures** Depreciation and amortization of property, plant and equipment used in operations that serves as an approximation of the cost of replacing that portion of property, plant and equipment consumed by operations during a reporting period.

**Depreciation rate** The percentage that property, plant and equipment is depreciated during a period. A low or declining depreciation rate could indicate that a firm is taking longer than it should to depreciate property, plant and equipment, potentially overstating earnings and leaving reported amounts of property, plant and equipment at risk for an impairment charge. It is computed by dividing depreciation expense for a period by average property, plant and equipment, gross.

**Diluted EPS effects of change in effective tax rate** The earnings impact on EPS of the change in the effective tax rate from one period to the next.

**Diluted EPS effects of change in gross margin** The earnings impact on EPS of the change in gross margin % from one period to the next.

**Diluted EPS effects of change in R&D expense ratio** The earnings impact on EPS of the change in the R&D expense ratio, or R&D expense / Revenue from core operations, from one period to the next.

**Diluted EPS effects of change in SG&A expense ratio** The earnings impact on EPS of the change in the SG&A expense ratio, or SG&A expense / Revenue from core operations, from one period to the next.

**Diluted EPS effects of change in SGA expense ratio** The earnings impact on EPS of the change in the SG&A expense ratio, or SG&A expense / Revenue from core operations, from one period to the next.

**Diluted EPS from continuing operations** Income (loss) from continuing operations for a period divided by the weighted average number of diluted common shares outstanding during that period.

**Diluted EPS from continuing operations growth** The percentage change in diluted EPS from continuing operations from one period to the next.

**Dilution** Reduction in shareholders' equity per share or earnings per share that arises from some changes among shareholders' proportionate interests.

**Direct response advertising** Advertising designed to elicit sales to customers who can be shown to have responded specifically to the advertising in the past. Such costs can be capitalized when persuasive historical evidence permits formulation of a reliable estimate of the future revenue that can be obtained from incremental advertising expenditures.

**Direct-method format** A format for the operating section of a cash flow statement prepared in accordance with generally accepted accounting principles that reports actual cash receipts and cash payments from operating activities.

**Discontinued operations** Income from operations and the gain or loss on disposal of a discontinued business segment or separately measured business unit. It is reported after income tax effects have been subtracted. See also: [Discontinued operations gain \(loss\)](#)

**Discontinued operations (gain) loss** Income from operations and the gain or loss on disposal of a discontinued business segment or separately measured business unit. It is reported after income tax effects have been subtracted. On the cash flow statement (indirect method) the account balance is removed from net income (loss) in computing income (loss) from continuing operations. See also: [Discontinued operations](#)

**Discontinued operations gain (loss)** Income from operations and the gain or loss on disposal of a discontinued business segment or separately measured business unit. It is reported after income tax effects have been subtracted. On the cash flow analysis statement the account is used in computing disposition of discontinued operations, a component of investment of sustainable free cash flow. See also: [Discontinued operations](#)

**Disposition of discontinued operations** Cash flow related to discontinued operations including the change in net assets related to discontinued operations and any income or loss from a discontinued segment plus any gain or less any loss on disposition. Included as part of investment of sustainable free cash flow.

**Distributions from associated companies** Dividends received from investee companies in which the investor has sufficient ownership to exert significant influence.

**Dividend income** Dividends declared on investments in common or preferred stock that are not accounted for using the equity method. On the cash flow analysis statement the account is used in computing other recurring cash receipts (disbursements), a component of cash flow available for debt service.

**Dividend payout (Dividends on common stock / Sustainable earnings)** The proportion of sustainable earnings, earnings adjusted to exclude known items of nonrecurring revenue, gain, expense and loss, that are paid out in dividends on common stock.

**Dividends - preferred** Dividends paid in cash on preferred stock.

**Dividends declared - common** The dollar amount of dividends declared on common stock during the reporting period. On the cash flow analysis statement the account is used in computing dividends on common stock, a component of financing transactions.

**Dividends declared - preferred** The dollar amount of dividends declared on preferred stock during the reporting period. On the cash flow analysis statement the account is used in computing dividends - preferred, a component of cash flow available for investment.

**Dividends on common stock** Cash payments for dividends on common stock. Calculated as dividends declared on common stock adjusted for any change in dividends payable and any dividends paid with shares of common stock.

**Dividends on common stock paid in cash (YTD)** Quarterly, year-to-date dividends paid on common stock. In the absence of a quarterly statement detailing activity in retained earnings, including dividends declared on common stock, dividends paid on common stock can be used as an accurate approximation to dividends declared on common stock and should be available on the statement of cash flows.

**Dividends on preferred as % of average outstanding preferred equity** Dividends paid in cash on preferred stock measured as a percentage of average outstanding preferred stock.

**Dividends on preferred stock** Dividends paid in cash on preferred stock.

**Dividends on preferred stock as % of cash flow available for investment** Dividends paid in cash on preferred stock measured as a percentage of cash flow available for investment.

**Dividends on preferred stock paid in cash (current qtr)** The dollar amount of cash dividends paid on preferred stock during the current quarter.

**Dividends on preferred stock paid in cash (YTD)** Quarterly, year-to-date dividends paid on preferred stock. In the absence of a quarterly statement detailing activity in retained earnings, including dividends declared on preferred stock, dividends paid on preferred stock, if any, can be used as an accurate approximation to dividends declared on preferred stock. The necessary information may be available on the statement of cash flows. Though dividends on preferred stock paid in cash (YTD) may need to be estimated using the amount of outstanding preferred stock and the dividend payment rate.

**Dividends payable** Dividends declared on stock that are due and payable. On the cash flow analysis statement the account is used in computing dividends on common stock, a component of financing transactions.

**Dividends received from equity method investments** Cash distributions received from investments accounted for under the equity method. On the cash flow analysis statement the account is used in computing other recurring cash receipts (disbursements), a component of cash flow available for debt service, and in computing unremitted equity method income (loss), a component of long-term investments and of investment of sustainable free cash flow.

**Dividends received from equity method investments (YTD)** Quarterly, year-to-date cash distributions received from investments accounted for under the equity method. On the cash flow analysis statement the account is used in computing other recurring cash receipts (disbursements), a component of cash flow available for debt service, and in computing unremitted equity method income (loss), a component of long-term investments and of investment of sustainable free cash flow.

**Drivers of Capital Expenditures** The factors that drive or result in increases or decreases in capital expenditures. An understanding of the drivers of capital expenditures facilitates the formation of expectations regarding cash flow sustainability

**Drivers of Core Operating Cash Flow:** The factors that drive or result in increases or decreases in core operating cash flow. An understanding of cash flow drivers facilitates the formation of expectations regarding cash flow sustainability.

**Drivers of Income Taxes Paid:** The factors that drive or result in increases or decreases in income taxes paid. An understanding of the drivers of income taxes paid facilitates the formation of expectations regarding cash flow sustainability.

**Drivers of Sustainable Free Cash Flow:** The factors that drive or result in increases or decreases in Sustainable free cash flow. An understanding of cash flow drivers facilitates the formation of expectations regarding cash flow sustainability.

## E

**Earnings before depreciation and amortization (EBDA)** Earnings measured before depreciation and amortization. May be considered as earnings available for the required payment of principal on debt.

**Earnings before interest and taxes (EBIT)** Net income measured before interest expense and before income tax expense.

**Earnings before interest, depreciation and amortization (EBIDA)** Earnings measured before interest expense, depreciation and amortization. May be considered as earnings available for the payment of interest and required principal on debt.

**Earnings before interest, taxes, depreciation and amortization (EBITDA)** An earnings-based measure that often serves as a surrogate for cash flow. The measure actually represents working capital provided by operations before interest and taxes.

**Earnings before interest, taxes, depreciation, amortization and rents (EBITDAR)** EBITDA measured before rent expense on operating leases. May be considered as earnings available for the payment of interest, taxes and rents.

### **Earnings Quality Indicator™ EQI™**

**Earnings Quality Score™** A five point score measuring three dimensions of earnings quality: sustainable earnings, sustainable cash flow and balance sheet quality. The three dimensions are measured with five factors. Sustainable earnings are measured with sustainable net margin and incremental net margin. Sustainable cash flow is measured with sustainable free cash margin and the one-year change in sustainable free cash margin. Balance sheet quality is measured with the three-year rate of change in total assets days. For each firm, scores on the five factors are compared with the firm's industry median. For measures that outperform the industry median, a score of 1 is assigned. For measures that underperform the industry median, a score of 0 is assigned. The overall earnings quality score is then computed by summing the measures for the five individual factors. An Earnings Quality score of 0 or 1 is an indication of poor earnings quality. The firm is significantly underperforming its industry benchmark. An Earnings Quality score of 4 or 5 is an indication of good earnings quality. The firm is significantly outperforming its industry benchmark. An Earnings Quality score of 2 or 3 is an indication of earnings quality caution.

**Earnings sustainability™** A measure of the extent to which reported income from continuing operations differs from earnings that come from sustainable sources, expressed as a percent of revenue from core operations. A negative amount indicates that reported income from continuing operations exceeds sustainable earnings. A positive amount indicates that sustainable earnings exceed reported income from continuing operations. The ratio is calculated as sustainable earnings less reported income (loss) from continuing operations all divided by revenue. Sustainable earnings are earnings adjusted to exclude known items of nonrecurring revenue, gain, expense and loss.

**EBDA** The amount of earnings before depreciation and amortization expense. It is calculated by adding to after-tax sustainable earnings, depreciation and amortization included in cost of revenue, and depreciation and amortization included in selling, general and administrative expense. It is used as an earnings-based measure of debt-service capacity, to measure the extent to which sustainable earnings, adjusted to remove the non-cash expenses of depreciation and amortization, is sufficient to cover the claims of required principal payments on outstanding borrowings.

**EBDA / Required principal payments** A coverage ratio that measures the number of times that earnings before depreciation and amortization expense covers required principal payments on long-term debt and capital lease obligations.

**EBDA growth** The percentage change in EBDA from one period to the next.

**EBIDA** The amount of earnings before interest expense, depreciation and amortization expense. It is calculated by adding to after-tax sustainable earnings, interest expense, depreciation and amortization included in cost of revenue, and depreciation and amortization included in selling, general and administrative expense. It is used as an earnings-based measure of debt-service capacity, to measure the extent to which sustainable earnings, adjusted to remove the non-cash expenses of depreciation and amortization, is sufficient to cover the claims of interest expense and required principal payments on outstanding borrowings.

**EBIDA / (Interest paid + Required principal payments)** A coverage ratio that measures the number of times that earnings before interest expense, depreciation and amortization expense covers interest paid and required principal payments on long-term debt and capital lease obligations.

**EBIDA growth** The percentage change in EBIDA from one period to the next.

**EBITDA** The amount of earnings before interest expense, tax expense, depreciation and amortization expense. It is calculated by adding to pre-tax sustainable earnings, interest expense, depreciation and amortization included in cost of revenue, and depreciation and amortization included in selling, general and administrative expense. It is used as an earnings-based measure of debt-service capacity, to measure the extent to which sustainable pre-tax earnings, adjusted to remove the non-cash expenses of depreciation and amortization, is sufficient to cover the claims of interest expense.

**EBITDA (growth)** The percentage change in EBITDA from one period to the next.

**EBITDA / (Taxes paid + Interest paid)** A coverage ratio that measures the number of times that earnings before interest expense, tax expense, depreciation and amortization expense covers taxes paid and interest paid.

**EBITDA / Interest paid** A coverage ratio that measures the number of times that earnings before interest expense, tax expense, depreciation and amortization expense covers interest paid.

**EBITDAR** The amount of earnings before interest expense, tax expense, depreciation, amortization and rent expense. It is calculated by adding to pre-tax sustainable earnings, interest expense, depreciation and amortization included in cost of revenue, depreciation and amortization included in selling, general and administrative expense, and minimum rent expense on operating leases. It is used as an earnings-based measure of debt-service capacity, to measure the extent to which sustainable pre-tax earnings, adjusted to remove the non-cash expenses of depreciation and amortization, is sufficient to cover the claims of interest and rent expense.

**EBITDAR / (Interest paid + Rents)** A coverage ratio that measures the number of times that earnings before interest expense, tax expense, depreciation, amortization and rent expense covers interest paid and rent expense.

**EBITDAR / (Taxes paid + Interest paid + Rents)** A coverage ratio that measures the number of times that earnings before interest expense, tax expense, depreciation, amortization and rent expense covers taxes paid, interest paid and rent expense.

**EBITDAR growth** The percentage change in EBITDAR from one period to the next.

**Effect of exchange rate changes on cash** Company reported effects of changes in exchange rates on foreign currency cash and cash equivalents balances. In accordance with generally accepted accounting principles, such exchange rate effects are not labeled as operating, investing or financing cash flow.

**Effective tax rate** The income tax provision on continuing operations divided by income from continuing operations before income taxes. It measures the proportion of pre-tax income that results in total tax expense. See also: [Effective tax-rate expense \(benefit\) %](#)

**Effective tax rate / Full-year marginal tax rate** For quarterly financial statements, the effective tax rate divided by the prior-year marginal tax rate. It measures the effects of steps taken to minimize the effective tax rate and indicates a potential impact on earnings of a change in the effective tax rate toward the marginal tax rate.

**Effective tax rate / Marginal tax rate** The effective tax rate divided by the marginal tax rate. It measures the effects of steps taken to minimize the effective tax rate and indicates a potential impact on earnings of a change in the effective tax rate toward the marginal tax rate.

**Effective tax-rate expense (benefit) %** The income tax provision divided by income before income taxes. It measures the proportion of pre-tax income that results in total tax expense. See also: [Effective tax rate](#)

**Effects of change in tax cash-flow profile on** A summary of the measured effects of changes in tax cash-flow drivers on income tax related accounts from one period to the next.

**Effects of exchange rate changes on cash - source (use)** Company reported effects of changes in exchange rates on foreign currency cash and cash equivalents balances. In accordance with generally accepted accounting principles, such exchange rate effects are not labeled as operating, investing or financing cash flow.

**Effects of growth in income before income taxes on** A summary of the measured effects of growth in income before income taxes on income tax related accounts from one period to the next.

**Effects on income from continuing operations of change in effective tax rate from previous year** For quarterly financial statements, the earnings impact on income from continuing operations of the change in the effective tax rate from the same quarter the previous year.

**Effects on income from continuing operations of change in gross margin from previous year** For quarterly financial statements, the earnings impact on income from continuing operations of the change in gross margin % from the same quarter the previous year.

**Effects on income from continuing operations of change in R&D expense ratio from previous year** For quarterly financial statements, the earnings impact on income from continuing operations of the change in R&D expense / Revenue from core operations from the same quarter the previous year.

**Effects on income from continuing operations of change in SG&A expense ratio from previous year** For quarterly financial statements, the earnings impact on income from continuing operations of the change in SG&A expense / Revenue from core operations from the same quarter the previous year.

**Emerging Issues Task Force (EITF)** The EITF assists the FASB through the timely identification, discussion, and resolution of financial accounting issues based upon existing authoritative literature.

**EQI™ Earnings Quality Indicator™** Also referred to as Excess Cash Margin (ECM). It is an interpretive ratio used to measure the relationship between sustainable operating cash flow and net income. The ratio measures the excess of sustainable operating cash flow over net income as a percentage of revenue. More specifically, it is calculated as  $((\text{Sustainable operating cash flow} - \text{Net income}) / \text{Revenue}) \times 100$ . Significant decreases in the ratio over time are of particular concern and indicate that sustainable operating cash flow is growing slower or declining faster than net income, leading to a build-up of non-cash balance sheet accounts and warning of possible operational difficulties or of aggressive practices in the measurement of earnings. Future earnings may be at risk for decline. Significant increases in the ratio over time indicate that sustainable operating cash flow is growing faster or declining slower than net income, leading to a decline in non-cash balance sheet accounts. Such a development suggests either the possibility of increasingly conservative accounting practices in the measurement of earnings or of a decline in future sustainable operating cash flow. A steady to slightly increasing ratio over time indicates an equilibrium relationship between sustainable operating cash flow and net income. Before net income is used in the calculation of EQI™ it should be adjusted for known nonrecurring items of revenue, gain, expense or loss. Such adjustments remove noise and improve the effectiveness of EQI™. Net income adjusted for nonrecurring items is referred to as sustainable earnings. See also: [Excess Cash Margin \(ECM\)](#)

**Equity in Net Loss (Earnings)** The investor's share of an equity-accounted investee's net loss or net earnings as carried on the company-reported indirect method statement of cash flows.

**Equity method income (loss)** The investor's share of net income (net loss) generated by an investment accounted for using the equity method. On the cash flow analysis statement the account is used in computing unremitted equity method income (loss), which is used in computing long-term investments, a component of investment of sustainable free cash flow.

**Equity method investments** Investments in common or preferred stock with voting interests that provide the holder with an ownership interest that is sufficient to exert significant influence over the investee. The investor's share of income or loss is recorded and also serves to increase or reduce, respectively, the investment balance. Dividends received are accounted for as a return of investment and reduce the investment balance.

**Equity security** An ownership interest in an enterprise, including preferred and common stock.

**Excess Cash Margin (ECM)** An interpretive ratio used to measure the relationship between sustainable operating cash flow and net income. The ratio measures the excess of sustainable operating cash flow over net income as a percentage of revenue. More specifically, it is calculated as  $((\text{Sustainable operating cash flow} - \text{Net income}) / \text{Revenue}) \times 100$ . Significant decreases in the ratio over time are of particular concern and indicate that sustainable operating cash flow is growing slower or declining faster than net income, leading to a build-up of non-cash balance sheet accounts and warning of possible operational difficulties or of aggressive practices in the measurement of earnings. Future earnings may be at risk for decline. Significant increases in the ratio over time indicate that sustainable operating cash flow is growing faster or declining slower than net income, leading to a decline in non-cash balance sheet accounts. Such a development suggests either the possibility of increasingly conservative accounting practices in the measurement of earnings or of a decline in future sustainable operating cash flow. A steady to slightly increasing ratio over time indicates an equilibrium relationship between sustainable operating cash flow and net income. Before net income is used in the calculation of Excess Cash Margin it should be adjusted for known nonrecurring items of revenue, gain, expense or loss. Such adjustments remove noise and improve the ratio's effectiveness. Net income adjusted for nonrecurring items is referred to as sustainable earnings.

**Excess of avg. price paid over avg. exercise price received** The net price paid in the pro-forma calculation of cash used to repurchase stock issued from stock option exercises.

**Excess Tax Benefit of Stock Options - Cash Flow Financing** The tax benefit arising from the excess of a tax deduction related to nonqualified stock options that exceeds the amount of related compensation expense recorded on the books. According to GAAP, such a benefit is reported as a financing source of cash.

**Exercise price** The pre-established price contained in an option contract at which an asset may be purchased or sold.

**Expenses of financial services operations** Interest and other recurring expenses of operating a non-core financial services subsidiary. For a more meaningful computation of total interest paid and more effective analysis of debt-service capacity, company-reported interest expense included with expenses of financial services operations should be removed and combined with interest expense of core operations. On the cash flow analysis statement the account is used in computing other recurring cash receipts (disbursements), a component of cash flow available for debt service.

**Exponential Moving Average (EMA)** The Exponential Moving Average (EMA) finds the average price of a security over a set number of periods. It gives more weight to the more recent prices, relative to older prices, in an attempt to reduce the lag associated with moving averages, in general. The weighting applied depends on the length of the moving average specified. The shorter the EMA is, the more weight that will be applied to the most recent price. The oldest price data in the EMA is never removed, but they have only a minimal impact on the EMA.

**Extended amortization period** An amortization period that continues beyond a long-lived asset's economic useful life.

**Extraordinary (gain) loss** Income from operations and the gain or loss on disposal of a discontinued business segment or separately measured business unit. It is reported after income tax effects have been subtracted. On the cash flow statement (indirect method) the account balance is removed from net income (loss) in computing Income (loss) from continuing operations. See also: [Discontinued operations](#)

**Extraordinary gain (loss)** Gain or loss that is unusual and infrequent in occurrence. It is reported after income tax effects have been subtracted. On the cash flow analysis statement the account is used in computing other nonrecurring cash receipts (disbursements), a component of investment of sustainable free cash flow. See also: [Extraordinary item](#)

**Extraordinary item** Gain or loss that is unusual and infrequent in occurrence. It is reported after income tax effects have been subtracted. See also: [Extraordinary gain \(loss\)](#)

**Extraordinary Items and Discontinued Operations** A combined measure of a gain or loss that is unusual and infrequent in occurrence together with income from operations and the gain or loss on disposal of a discontinued business segment or separately measured business unit.

## F

**F. Bal Sheets** Abbreviation for Forecast Balance Sheet.

**F. CFA Stmts** Abbreviation for Forecast Cash Flow Analysis Statement.

**F. Drivers** Abbreviation for Forecast Cash Flow Drivers Report.

**F. Performance** Abbreviation for Forecast Financial Performance Report.

**F. Stmts of Inc** Abbreviation for Forecast Statement of Income.

**Factored accounts receivable** The sale of accounts receivable, typically without recourse, to a financial institution that collects the underlying accounts directly from the seller company's customers.

**FCM™ Free cash margin™** The percentage of revenue from core operations that results in sustainable free cash flow. It is driven by the determinants of operating cash margin, the payment of preferred dividends, net capital expenditures and other long-term assets needed to support operations.

**Fictitious revenue** Revenue recognized on a nonexistent sale or service transaction.

**Filing Date** This is the date the company files its latest quarterly or annual report with the Securities and Exchange Commission. A new Cash Flow Analytics Score is calculated when the necessary data is made available to our data warehouse. Typically, data is made available to us within seven days of the filing date. If data from a company press release or other source containing results sufficient to calculate a Cash Flow Analytics Score is made available to us at a date earlier than the SEC filing date, that earlier date is used as the filing date.

**Film production costs** Costs incurred in producing a motion picture, including costs to obtain a screenplay, compensation of cast members, directors, producers, extras and other staff, set construction and operations, wardrobe and accessories, sound synchronization, on-location costs and postproduction costs such as music, special effects and editing.

**Financial Accounting Standards Board (FASB)** The principal standard setting body in the United States. Its primary products are Statements of Financial Accounting Standards (SFAS).

**Financial covenant** Agreements between debtors and creditors that commit the debtor to the maintenance of, for example, certain financial ratios. A positive financial covenant would be the requirement to maintain a working capital ratio of at least 1.5/1 or a fixed-charge coverage of at least 3/1. A negative covenant could set a limit set on a firm's ratio of debt to equity. Also referred to as loan covenants.

**Financial Executives Institute (FEI)** An international organization of financial professionals.

**Financial Performance Report** A Cash Flow Analytics, LLC report designed to highlight key measures of financial performance separated into the categories of growth, profitability, activity, cash-flow profile, liquidity, leverage, coverage, dilution and valuation.

**Financial Reporting Standard (FRS)** A financial reporting standard issued by the Accounting Standards Board of the United Kingdom.

**Financing cash flow** See also: [Cash provided or used by financing activities](#)

**Financing transactions** The sum of all cash flow related to external financing transactions.

**Floor-plan financing** A loan arrangement that is typically used to finance durable goods inventory such as automobiles, mobile homes, recreational vehicles, boats and motorcycles, where the underlying inventory is pledged as loan security. Any outstanding loan balance is linked directly to inventory levels, increasing as inventory levels increase and requiring repayment as inventory levels decline.

**Footnotes to financial statements and other sources** Sources of data for input to Cash Flow Analytics, LLC reports that come primarily from the footnotes to the financial statements.

**Forecast amortization expense on acquisition-related intangibles** The forecast, based on forecast assumptions in amortization expense on acquisition-related intangibles.

**Forecast average interest-bearing borrowings** The average principal amount during a forecast period on short-term and long-term debt and capital lease obligations on which interest accrues. Calculated by dividing two into the sum of the beginning forecast balance plus ending forecast balance of all interest-bearing borrowings.

**Forecast balance in capitalized debt issue costs** The forecast, based on forecast assumptions, in capitalized debt issue costs.

**Forecast balance in restructuring and merger-related reserve** The forecast, based on forecast assumptions, in the restructuring and merger-related reserve.

**Forecast balance in short-term borrowings** The forecast, based on forecast assumptions, in short-term borrowings.

**Forecast balance in short-term debt** The forecast, based on forecast assumptions, in short-term debt.

**Forecast Balance Sheet** A Cash Flow Analytics, LLC forecast report designed to report a firm's financial position as of a point in time with particular emphasis on assets and liabilities that are central to a firm's cash flow generations, including operating working capital asset and operating working capital liabilities, other operations-related assets and other investing-related assets, other operations-related liabilities and other financing-related liabilities. The forecast report provides the analyst with reporting flexibility designed to facilitate measurement of the sensitivity of selected balance sheet measures to changes in underlying assumptions concerning such fundamental factors as growth, profitability and efficiency.

**Forecast Cash Flow Analysis Statement** A Cash Flow Analytics, LLC forecast report designed to facilitate analysis that provides multiple partitions of the overall change in cash and cash equivalents and highlight sustainable and nonrecurring sources and uses of cash. The statement is a combination of the direct and indirect cash flow formats, showing the reconciliation of key items from the statement of income to their cash flow counterparts. Important subtotals on the cash flow analysis statement include Core operating cash flow, Sustainable operating cash flow, and Sustainable free cash flow. The forecast report provides the analyst with reporting flexibility designed to facilitate measurement of the sensitivity of selected cash flow measures to changes in underlying assumptions concerning such fundamental factors as growth, profitability and efficiency.

**Forecast Cash Flow Drivers Report** A Cash Flow Analytics, LLC forecast report designed to highlight the factors driving core operating cash flow, sustainable operating cash flow, and sustainable free cash flow higher or lower over time so that sustainability of those measures can better be assessed and expectations can be formed regarding a firm's ability to continue generating them. The forecast report provides the analyst with reporting flexibility designed to facilitate measurement of the sensitivity of selected cash flow measures to changes in underlying assumptions concerning such fundamental factors as growth, profitability and efficiency.

**Forecast Financial Performance Report** A Cash Flow Analytics, LLC forecast report designed to highlight key measures of financial performance separated into the categories of growth, profitability, activity, cash-flow profile, liquidity, leverage, coverage, dilution and valuation. The forecast report provides the analyst with reporting flexibility designed to facilitate measurement of the sensitivity of selected performance measures to changes in underlying assumptions concerning such fundamental factors as growth, profitability and efficiency.

**Forecast interest-bearing borrowings** Forecast amounts for short-term and long-term debt and capital lease obligations on which interest accrues.

**Forecast Statement of Income** A Cash Flow Analytics, LLC forecast report designed to show the results of profit-directed activities over a reporting period with a particular emphasis on sources of sustainable income. The statement highlights the results of core operations, including revenue from core operations, gross profit from core operations and operating profit from core operations, and the results of non-core operations, including other income (expense) recurring and other income (expense) nonrecurring. The forecast report provides the analyst with reporting flexibility designed to facilitate measurement of the sensitivity of selected performance measures to changes in underlying assumptions concerning such fundamental factors as growth and profitability.

**Forecast templates** Standardized and custom Cash Flow Analytics, LLC financial report formats designed to use annual forecast data.

**Foreign currency (gains) losses** Foreign currency transaction gains (losses) on translating foreign currency transaction balances into a reporting currency. Also includes translation adjustments arising from the application of the monetary/nonmonetary method of translating foreign currency financial statements. On the cash flow statement (indirect method), the account balance is removed from Income (loss) from continuing operations in the computation of sustainable operating cash flow.

**Foreign currency gains (losses)** Foreign currency transaction gains (losses) on translating foreign currency transaction balances into a reporting currency. Also includes translation adjustments arising from the application of the monetary/nonmonetary method of translating foreign currency financial statements. On the cash flow analysis statement the account is used in computing other nonrecurring cash receipts (disbursements), a component of investments of sustainable free cash flow.

**Four Qtrs Ending Cash Flow Drivers:** The factors that drive or result in increases or decreases in core operating cash flow, sustainable operating cash flow and sustainable free cash flow over time measured here for a four-quarters ending reporting period. An understanding of cash flow drivers facilitates the formation of expectations regarding cash flow sustainability.

**Four Qtrs Ending Cash-Flow Profile:** The cash flow growth profile measured for a four-quarters ending reporting period.

**Four Qtrs Ending Other Measures:** Miscellaneous measures of performance measured for a four-quarters ending reporting period.

**Four Qtrs Ending Profitability:** Performance measures focused on analyzing the results of income-directed activity, measured here for a four-quarters ending reporting period.

**Four quarters ending data** Data that reflects four quarters, that is, a full year's worth of income or cash flow results, through the indicated quarter. For example, four quarters ending data for September 30, 2007 reflects results for the quarters ending December 31, 2006, March 31, 2007, June 30, 2007 and September 30, 2007. Also known as "Trailing Twelve Months" or "TTM" data.

**Free cash flow** Cash flow available for common shareholders that can be used for such discretionary purposes as stock buybacks and dividends without affecting the firm's ability to grow and generate more. Calculated as operating cash flow less preferred dividends, net capital expenditures and other long-term assets needed to support operations. See also: [Sustainable free cash flow](#)

**Free cash growth profile™** The capacity of a firm to generate sustainable free cash flow as it grows, reflecting a combination of its core operating growth profile, income taxes paid, capital expenditures and other investments needed to support operations, expressed as a percentage of revenue. It is measured as operating cushion % less operating working capital to revenue % less income taxes paid to revenue %, and less capital expenditures to revenue %, investment in operations-related intangibles to revenue %, and investment in other ops-related assets to revenue %. It is forward looking and reports the amount of sustainable free cash flow that can be expected for any measured amount of growth in revenue under the assumption that a firm's current mix of operating cushion, operating working capital, income taxes paid to revenue % and capital expenditures, investment in operations-related intangibles and investment in other ops-related assets to revenue % remain unchanged. A firm with a positive free cash growth profile™ can grow operations and produce increasing amounts of sustainable free cash flow. A firm with a negative free cash growth profile™ will require other sources of cash to support revenue growth.

**Free cash margin™ 3-Year CAGR** The three-year compound average growth rate (or average rate of change) in free cash margin™.

**Free cash margin™ Percentage Change** The one-year change in free cash margin™ measured as a percentage of the previous year's amount.

**Free cash margin™ FCM™** The percentage of revenue from core operations that results in sustainable free cash flow. It is driven by the determinants of operating cash margin, the payment of preferred dividends, net capital expenditures and other long-term assets needed to support operations. See also: **FCM™ Free cash margin™**

**Free Cash Profile™** See Free Cash Growth Profile™

**Full Stochastic (Technical Analysis)** The Stochastic (STC) oscillator, developed by George Lane, is a momentum indicator that compares the price of a security relative to the trading (high/low) range over a period of time. Closing levels that are consistently at the top of the range indicate accumulation of the security (buying pressure), whereas closing levels near the bottom of the range suggests distribution (selling pressure).

The Full Stochastic Oscillator takes three parameters. The first and last parameters are identical to the Fast and Slow versions. The first is the number of periods used to calculate the %K line and the last is the number of periods used to create the %D signal line. The difference is the second parameter, which is used as a smoothing factor of the %K line. With the smoothing factor, this Stochastic is thus more flexible for analysis.

**Funds** Traditionally defined as working capital, i.e., the excess of current assets over current liabilities.

**Funds from operations (FFO)** A term used by real estate investment trusts (REITs) and defined as net income or loss excluding gains or losses from debt restructuring and sales of property, plus depreciation and amortization of real estate assets.

**Funds from Operations - Other** Unidentified sources or (uses) of working capital generated by operations as carried on the company-reported indirect method statement of cash flows.

## G

**GAAP operating cash flow** Cash flow from operating activities computed in accordance with generally accepted accounting principles. See also: [Reported operating cash flow](#)

**Gain (loss) on disposal of goodwill and intangibles** Any realized gain or loss arising from the sale of intangible assets. It is measured as the difference between the net proceeds from sale and the asset's balance sheet carrying value on the date of sale. Because goodwill cannot be disposed of separately from the disposal of a company, this category includes any gain or loss on sale of a company not considered to be discontinued operations. A gain or loss on discontinued operations should be reported in that caption. On the cash flow analysis statement the account is used in computing investments in goodwill and acquisition-related intangibles, a component of investment of sustainable free cash flow.

**Gain (loss) on disposal of investments** Any realized gain or loss arising from the sale of investments. It is measured as the difference between the net proceeds from sale and the asset's balance sheet carrying value on the date of sale. On the cash flow analysis statement the account is used in computing long-term investments, a component of investment of sustainable free cash flow.

**Gain (loss) on disposal of other investing-related assets** Any realized gain or loss arising from the disposal of assets that cannot be classified elsewhere. It is measured as the difference between the net proceeds from sale and the asset's balance sheet carrying value on the date of sale. On the cash flow analysis statement the account is used in computing investments in other assets, a component of investment of sustainable free cash flow.

**Gain (loss) on disposal of PP&E** The excess (shortage) of the proceeds received from the sale of a PP&E item relative to its book value. Combining the decrease in the book value of an item of PP&E that has been disposed of with the gain or (loss) on sale yields the proceeds from sale of PP&E. These proceeds from sale of PP&E are included as a source of cash in computing capital expenditures.

**(Gain) loss on disposal of goodwill and intangibles** Any realized gain or loss arising from the sale of intangible assets. It is measured as the difference between the net proceeds from sale and the asset's balance sheet carrying value on the date of sale. Because goodwill cannot be disposed of separately from the disposal of a company, this category includes any gain or loss on sale of a company not considered to be discontinued operations. A gain or loss on discontinued operations should be reported in that caption. On the cash flow statement (indirect method), the account balance is removed from Income (loss) from continuing operations in the computation of sustainable operating cash flow.

**(Gain) loss on disposal of investing-related assets** Any realized gain or loss arising from the disposal of assets that cannot be classified elsewhere. It is measured as the difference between the net proceeds from sale and the asset's balance sheet carrying value on the date of sale. On the cash flow statement (indirect method), the account balance is removed from Income (loss) from continuing operations in the computation of sustainable operating cash flow.

**(Gain) loss on disposal of investments** Any realized gain or loss arising from the sale of investments. It is measured as the difference between the net proceeds from sale and the asset's balance sheet carrying value on the date of sale. On the cash flow statement (indirect method), the account balance is removed from Income (loss) from continuing operations in the computation of sustainable operating cash flow.

**(Gain) loss on disposal of PP&E** The excess or shortage of the proceeds received from the sale of a PP&E item relative to its book value. On the cash flow statement (indirect method) the account balance is removed from Income (loss) from continuing operations in the computation of sustainable operating cash flow.

**Gains (losses) on asset dispositions** The excess (shortage) of the proceeds received from the sale of various assets, including PP&E, investments, other investing-related assets, and goodwill and intangibles, relative to book value.

**Generally accepted accounting principles (GAAP)** A common set of standards and procedures for the preparation of general-purpose financial statements that either have been established by an authoritative accounting rule-making body, such as the Financial Accounting Standards Board (FASB), or have over time become common accepted practice.

**Goodwill** An intangible asset representing the amount paid in the acquisition of either significant influence or control of an entity over the fair value of the acquired entity's identifiable net assets. Goodwill is carried without amortization but is reviewed for impairment at least annually.

**Goodwill and acquisition-related intangibles** Goodwill and other intangible assets, net of accumulated amortization, if any, arising as a result of amounts paid in an acquisition in excess of the fair value of identifiable net assets. Examples of non-goodwill acquisition-related intangibles include patents, trademarks, brands, customer lists and non-compete agreements.

**Goodwill and acquisition-related intangibles (not used)** The balance in goodwill and acquisition-related intangibles that were not used in the calculations.

**Goodwill and acquisition-related intangibles, net** Goodwill and other intangible assets, net of accumulated amortization, if any, arising as a result of amounts paid in an acquisition in excess of the fair value of identifiable net assets. Examples of non-goodwill acquisition-related intangibles include patents, trademarks, brands, customer lists and non-compete agreements.

**Goodwill and intangibles, gross** Goodwill and other intangible assets, reported before subtracting accumulated amortization, if any, arising as a result of amounts paid in an acquisition in excess of the fair value of identifiable net assets. Examples of non-goodwill acquisition-related intangibles include patents, trademarks, brands, customer lists and non-compete agreements.

**Goodwill, net** An intangible asset representing the amount paid in the acquisition of either significant influence or control of an entity over the fair value of the acquired entity's identifiable net assets, less any accumulated amounts of amortization from prior-periods or writedowns for impairment. Goodwill is now carried without amortization but is reviewed for impairment at least annually. On the cash flow analysis statement the account is used in computing investments in goodwill and acquisition-related intangibles, a component of investment of sustainable free cash flow.

**Gross capital expenditures** Capital expenditures before subtraction for the proceeds derived from the disposal of productive assets.

**Gross margin** Revenue from core operations minus cost of revenue. Also referred to as gross profit. Depending on the context, the term gross margin may also refer to gross margin %.

**Gross margin %** Gross margin or gross profit divided by revenue from core operations.

**Gross margin (excl. depreciation & amortization)** Revenue from core operations minus cost of revenue (excl. depreciation & amortization). Measured in this context, gross margin is measured before the non-cash expenses of depreciation and amortization of productive capacity and before any non-cash provision for impairment of inventory.

**Gross margin (excl. depreciation & amortization) %** Gross margin (excl. depreciation & amortization) as a percentage of revenue from core operations. In effect, the rate of profitability on a company's core product line before inclusion of SG&A and R&D, excluding non-cash depreciation and amortization expense. Also referred to as GM %.

**Gross margin from core operations** Revenue from core operations minus cost of revenue. See also: [Gross margin](#)

**Growth (over same quarter previous year)** The percentage change in a reported item from one period to the next calculated as the current period amount minus the amount for the same quarter the previous year all divided by the prior year amount.

**Growth (year over year % change)** The percentage change in a reported item from one period to the next calculated as the current period amount minus the prior period amount all divided by the prior period amount.

**Growth in income before income taxes (On the change in deferred tax assets)** The measured effects of growth in income before income taxes on the change in deferred tax assets from one period to the next.

**Growth in income before income taxes (On the change in deferred tax liabilities)** The measured effects of growth in income before income taxes on the change in deferred tax liabilities from one period to the next.

**Growth in income before income taxes (On the change in income tax (expense) benefit)** The measured effects of growth in income before income taxes on the change in income tax (expense) benefit from one period to the next.

**Growth in income before income taxes (On the change in income taxes payable)** The measured effects of growth in income before income taxes on the change in income taxes payable from one period to the next.

**Growth in income before income taxes (On the change in tax refund receivable)** The measured effects of growth in income before income taxes on the change in tax refund receivable from one period to the next.

**Growth stage** The second period in a company's life cycle during which operating earnings turn positive and revenue increases faster than the rate of growth in the overall economy. Operating cash flow may be negative during the early part of the growth stage of a company's life cycle and turn positive as the firm becomes more established.

**Growth-related capital expenditures, net of dispositions** Capital expenditures required to replace productive capacity consumed during a reporting period and to add infrastructure needed to maintain revenue growth. It is computed as capital expenditures net of cash received for dispositions of property, plant and equipment less the depreciation proxy for replacement capital expenditures.

## H

**Held-to-maturity security** A debt security for which the investing entity has both the positive intent and ability to hold until maturity.

**Historical Balance Sheet Supporting Detail** Supporting calculations for amounts reported on the Historical balance sheet.

**Historical Ratios Report Supporting Detail** Calculations supporting amounts reported on the Historical ratios report.

**Historical Statement of Operations Supporting Detail** Supporting calculations for amounts reported on the Historical statement of operations or income statement.

**Impact of acquisitions and other transactions on cash flow** A summary of the effects of acquisitions and other undisclosed transactions, including, for example, the effects of foreign currency fluctuations on selected cash flow calculations.

**Impairment charge - Goodwill and intangibles** A special charge taken to expense in order to write down the balance sheet carrying value of goodwill and intangibles that have become value impaired. On the cash flow analysis statement the account is used in computing investments in goodwill and acquisition-related intangibles a component of investment of sustainable free cash flow.

**Impairment charge - investments** A special charge taken to expense in order to write down the balance sheet carrying value of investments that have become value impaired. On the cash flow analysis statement the account is used in computing long-term investments, a component of investment of sustainable free cash flow.

**Impairment charge - PP&E** A special charge taken to expense in order to write down the balance sheet carrying value of PP&E that has become value impaired. On the cash flow analysis statement the account is used in computing capital expenditures, a component of investment of investment to support operations.

**Inc (Dec) in retained earnings for other equity transactions** Changes in retained earnings resulting from transactions not accounted for elsewhere. On the cash flow analysis statement the account is used in computing other equity-related financing, a component of financing transactions.

**Inc (Dec) in retained earnings for stock repurchases and conversions** Changes in retained earnings resulting from stock repurchases not accounted for as treasury stock and for the effects of conversions of convertible securities. On the cash flow analysis statement the account is used in computing common equity financing, a component of financing transactions.

**Inc (Dec) in retained earnings for stock repurchases, conversions and other transactions** Change in retained earnings resulting from stock repurchases not accounted for as treasury stock, for the effects of conversions of convertible securities and for other transactions not accounted for elsewhere, such as the effects of a prior-period adjustment.

**Income (loss) before income taxes** Income from continuing operations measured before discontinued operations, extraordinary items and the cumulative effect of changes in accounting principles and before the provision for income taxes. It is a subtotal that is automatically calculated by the model.

**Income (loss) from contg ops per diluted share** After-tax net income before discontinued operations, extraordinary items and the cumulative effect of changes in accounting principle per average diluted common shares outstanding during the period. A calculated amount measured by subtracting income tax expense (benefit) from income (loss) before income taxes and dividing the difference by average diluted common shares outstanding during the period.

**Income (loss) from continuing operations** After-tax net income before discontinued operations, extraordinary items and the cumulative effect of changes in accounting principle. See also: [Net income \(loss\) from continuing operations](#)

**Income (loss) from continuing operations before income taxes** Income from continuing operations measured before discontinued operations, extraordinary items and the cumulative effect of changes in accounting principles and before the provision for income taxes.

**Income (loss) from continuing operations growth** The percentage change in income (loss) from continuing operations from one period to the next.

**Income Before Extraordinary Items** After-tax net income before discontinued operations and extraordinary items carried on the company-reported indirect method statement of cash flows.

**Income tax (expense) benefit** The total (provision) benefit for income taxes measured on income from continuing operations before income taxes. On a statement of income, an income tax (benefit) is typically presented as a bracketed amount. However, for purposes of cash flow calculations, an income tax benefit is a source of cash and is presented without brackets. On the cash flow analysis statement the account is used in computing income taxes (paid) recovered on continuing operations, a component of cash flow available for debt service. Thus, as a use of cash, income tax (expense) is presented as a bracketed amount. See also: [Income tax expense \(benefit\)](#)

**Income tax accounts** All tax-related accounts used in the calculation of income taxes (paid) recovered on continuing operations.

**Income tax cash impact of chgs in tax cash-flow profile** The measured effects of changes in the tax cash-flow profile on income taxes (paid) recovered. It is calculated as the sum of the income tax cash impact of the change in the effective tax rate, of the change in deferred tax assets to income before income taxes, of the change in deferred tax liabilities to income before income taxes, of the change in tax refund receivable to income before income taxes, and the change in income taxes payable to income before income taxes.

**Income tax cash impact of growth and chgs in tax cash-flow profile** The sum of the measured effects of growth in income before income taxes on income taxes (paid) recovered plus the measured effects of the change in the tax cash-flow profile on income taxes (paid) recovered.

**Income tax cash impact of growth in income before income taxes** The measured effects of growth in income before income taxes on income taxes (paid) recovered. It is calculated as the sum of the income tax cash impact of growth in income before income taxes on the change in income tax (expense) benefit, on the change in deferred tax assets, on the change in deferred tax liabilities, on the change in tax refund receivable and on the change in income taxes payable.

**Income tax cash-flow profile** The drivers underlying income taxes paid as a % of income before income taxes. These drivers consist of the effective tax rate expense (benefit) %, the deferred tax assets to income before income taxes %, the deferred tax liabilities to income before income taxes %, the tax refund receivable to income before income taxes %, and the income taxes payable to income before income taxes %.

**Income tax cash-flow summary** A summary of the measured effects of growth and changes in income tax cash flow drivers on income tax related accounts from one period to the next.

**Income tax expense (benefit)** The total provision (benefit) for income taxes measured on income from continuing operations before income taxes. On a statement of income, an income tax (benefit) is typically presented as a bracketed amount. However, for purposes of cash flow calculations, an income tax benefit is a source of cash and is presented without brackets. On the cash flow analysis statement the account is used in computing income taxes (paid) recovered on continuing operations, a component of cash flow available for debt service. Thus, as a use of cash, income tax (expense) is presented as a bracketed amount. See also: [Income tax \(expense\) benefit](#)

**Income tax provision** Income tax expense as computed on income before taxes and reported on the income statement.

**Income tax provision at effective income tax rate** Income tax expense on a measure of pre-tax income calculated using the effective income tax rate.

**Income tax provision at marginal income tax rate** Income tax expense on a measure of pre-tax income calculated using the marginal income tax rate, or the rate applicable to the last amount of pre-tax income earned.

**Income tax refund receivable** A tax refund due from a taxing authority for income taxes paid in excess of amounts currently payable or as the result of the utilization of an operating loss or tax credit carryback. See also: [Tax refund receivable](#)

**Income taxes (paid) recovered** Actual cash disbursements or receipts arising from income taxes incurred on income from continuing operations. Measured as the income tax provision on income from continuing operations adjusted for changes in deferred tax assets, deferred tax liabilities, income tax refunds receivable and income taxes payable. It is measured before any tax benefits from stock options exercised, which are considered to be more of a financing cash flow. See also: [Income taxes \(paid\) recovered on continuing operations](#)

**Income taxes (paid) recovered before adj. for material non-operating gains or losses** The amount of income taxes (paid) or recovered through carryback calculated before any manual adjustment for taxes related to investing or financing activities.

**Income taxes (paid) recovered before adj. for taxes on material non-operating gains or losses** Income taxes (paid) recovered calculated using as-reported amounts of income tax expense (benefit) and changes in tax-related balance sheet accounts. Income taxes (due) or recovered on material gains or losses can result in misleading tax payment amounts. As a result, adjustments are made for such taxes, removing them from operating cash flow and transferring their amounts to other nonrecurring cash receipts (disbursements). See also: [Adjustment for income taxes paid \(recovered\) on material non-operating gains or losses](#)

**Income taxes (paid) recovered on contg ops after tax benefits from stock options** Income taxes (paid) recovered on continuing operations after any tax benefits from stock options have been subtracted.

**Income taxes (paid) recovered on continuing operations** Actual cash disbursements or receipts arising from income taxes incurred on income from continuing operations. Measured as the income tax provision on income from continuing operations adjusted for changes in deferred tax assets, deferred tax liabilities, income tax refunds receivable and income taxes payable. It is measured before any tax benefits from stock options exercised, which are considered to be more of a financing cash flow. See also: [Tax benefits from stock options exercised](#)

**Income Taxes - Accrued - Increase (Decrease)** The change in income taxes payable as carried on the company-reported indirect method statement of cash flows.

**Income taxes paid (recovered) on material non-operating gains (losses) (CF Adj)** The dollar amount of income taxes paid on material investing-related or financing-related gains or the dollar amount of income taxes (recovered) or (saved) on material investing-related or financing-related losses. This is a cash flow adjustment item. Note that amounts paid are entered without brackets, amounts (recovered) are entered with brackets. The tax amount must be gleaned from the income tax footnote to the financial statements and by a careful examination of income taxes paid during the period. An example is taxes paid on a gain arising from the sale of an investment or a company. Another example is taxes saved as a result of a loss on the early termination of debt. On the cash flow analysis statement the account is used in computing income taxes (paid) recovered on continuing operations, a component of cash flow available for debt service and in computing other nonrecurring cash receipts (disbursements), a component of investment of sustainable free cash flow.

**Income taxes paid (recovered) on material non-operating gains (losses) (YTD) (CF Adj)** The quarterly, year-to-date dollar amount of income taxes paid on material investing-related or financing-related gains or the dollar amount of income taxes (recovered) or (saved) on material investing-related or financing-related losses. This is a cash flow adjustment item for which necessary data may not be available in quarterly financial statements. Note that amounts paid are entered without brackets, amounts (recovered) are entered with brackets. The tax amount must be gleaned from the income tax footnote to the financial statements and by a careful examination of income taxes paid during the period. An example is taxes paid on a gain arising from the sale of an investment or a company. Another example is taxes saved as a result of a loss on the early termination of debt. On the cash flow analysis statement the account is used in computing income taxes (paid) recovered on continuing operations, a component of cash flow available for debt service and in computing other nonrecurring cash receipts (disbursements), a component of investment of sustainable free cash flow.

**Income taxes paid as % of income before income taxes** The percentage computed by dividing cash payments for income taxes after adjustment for income taxes paid (recovered) on material non-operating gains or losses by income from continuing operations before income taxes. Cash payments of income taxes are volatile and can affect sustainable operating cash flow and sustainable free cash flow. Changes in income taxes paid as a % of income before income taxes measure the effects of changes in tax payments relative to income before income taxes on sustainable operating cash flow and sustainable free cash flow. In this calculation, income taxes paid are not reduced for tax benefits from stock options exercised. See also: [Income taxes paid to revenue %](#)

**Income taxes paid to revenue %** The percentage computed by dividing cash payments for income taxes after adjustment for income taxes paid (recovered) on material non-operating gains or losses by revenue from core operations. Cash payments of income taxes are volatile and can affect sustainable operating cash flow and sustainable free cash flow. In computing income taxes paid to revenue %, the direct effect of income taxes paid on FCM™, Free cash growth profile™, can be ascertained. In this calculation, income taxes paid are not reduced for tax benefits from stock options exercised. See also: [Income taxes paid as % of income before income taxes](#)

**Income taxes payable** Income taxes presently due and payable to a taxing authority. On the cash flow analysis statement the account is used in computing income taxes (paid) recovered on continuing operations, a component of cash flow available for debt service.

**Income taxes payable to annualized income before income taxes %** Income taxes payable as a percentage of income before income taxes. In effect, the proportion of income before income taxes carried in taxes payable as of the end of a reporting period. See also: [Income taxes payable](#)

**Income taxes payable to income before income taxes %** Income taxes payable as a percentage of income before income taxes. In effect, the proportion of income before income taxes carried in taxes payable as of the end of a reporting period. See also: [Income taxes payable](#)

**Income-statement and balance-sheet change approach** A method of computing operating cash flow by adjusting net income for non-cash expenses and changes in operating-related balance sheet accounts.

**Increase in Investments** Cash used in the purchase of investments as carried on the company-reported indirect method statement of cash flows.

**Incremental net margin** The incremental addition to sustainable earnings contributed by an increase in revenue from core operations, reported in percentage terms. It is measured as the change in sustainable earnings divided by the change in revenue from core operations.

**Incremental operating margin** The incremental addition to operating profit contributed by an increase in revenue from core operations, reported in percentage terms. It is measured as the change in operating profit from core operations divided by the change in revenue from core operations.

**Indirect-method format** A format for the operating section of the cash-flow statement that presents the derivation from net income of cash flow provided by operating activities. The format starts with net income and adjusts for nonoperating items, noncash income and expense and changes in operating-related working capital accounts.

**Intangible pension asset** An intangible asset that arises when a defined-benefit pension plan is underfunded. The amount of the underfunding is the excess of the accumulated benefit obligation over the fair value of pension assets held by the pension trust. The amount of this underfunding must be reported on the balance sheet as a net pension liability. If the pension plan sponsor's books do not already carry a net pension liability equal to or greater than the amount of the underfunding, then an adjustment, known as the additional minimum pension liability, is recorded for the amount needed to bring the previously reported net pension liability up to the amount of the underfunding. An intangible pension may be recognized as an offset to the additional minimum pension liability for an amount consisting primarily of any accumulated prior-service cost, that is, the accumulated plan underfunding arising from amendments to the plan that increase retirement benefits. However, any underfunding arising for reasons other than the amount of the accumulated prior-service cost must be recorded as a charge to accumulated other comprehensive income (loss). On the cash flow analysis statement the account is used in computing other nonrecurring cash receipts (disbursements), a component of investment of sustainable free cash flow.

**Interest % earned on cash surplus or paid on cash shortage** On forecast financial statements, the interest rate to be used in forecast periods in computing interest income (expense) on cash surplus (shortage). For historical periods, the interest % earned on cash surplus or paid on cash shortage is equal to total interest paid as % of average borrowings.

**Interest capitalized to inventory** Interest incurred on borrowed funds and capital leases during the construction of a discrete inventory project that is added to the cost of the project. This is a cash flow adjustment item. Interest capitalized to inventory is included in inventory on the balance sheet. On the cash flow analysis statement the account is used in computing change in inventory, a component of cash cost of revenue, and in computing total interest paid, a component of sustainable operating cash flow. That is, interest capitalized to inventory is removed from cash cost of revenue and added to total interest paid.

**Interest capitalized to inventory (CF Adj)** Interest incurred on borrowed funds and capital leases during the construction of a discrete inventory project that is added to the cost of the project. This is a cash flow adjustment item. Interest capitalized to inventory is included in inventory on the balance sheet. On the cash flow analysis statement the account is used in computing change in inventory, a component of cash cost of revenue, and in computing total interest paid, a component of sustainable operating cash flow. That is, interest capitalized to inventory is removed from cash cost of revenue and added to total interest paid.

**Interest capitalized to inventory (YTD) (CF Adj)** Quarterly, year-to-date interest incurred on borrowed funds and capital leases during the construction of a discrete inventory project that is added to the cost of the project. This is a cash flow adjustment item for which necessary data may not be available in quarterly financial statements. Interest capitalized to inventory is included in inventory on the balance sheet. When data is available, on the cash flow analysis statement the account is used in computing change in inventory, a component of cash cost of revenue, and in computing total interest paid, a component of sustainable operating cash flow. That is, interest capitalized to inventory is removed from cash cost of revenue and added to total interest paid.

**Interest capitalized to PP&E** Interest incurred on borrowed funds and capital leases during the construction of a PP&E project that is added to the cost of the project. This is a cash flow adjustment item. It is disclosed in the notes to the financial statements. The amount of interest capitalized to PP&E is included PP&E on the balance sheet. On the cash flow analysis statement the account is used in computing total interest paid, a component of sustainable operating cash flow, and in computing capital expenditures, a component of investment to support operations. That is, interest capitalized to PP&E is removed from capital expenditures and added to total interest paid.

**Interest capitalized to PP&E (CF Adj)** Interest incurred on borrowed funds and capital leases during the construction of a PP&E project that is added to the cost of the project. This is a cash flow adjustment item. It is disclosed in the notes to the financial statements. The amount of interest capitalized to PP&E is included PP&E on the balance sheet. On the cash flow analysis statement the account is used in computing total interest paid, a component of sustainable operating cash flow, and in computing capital expenditures, a component of investment to support operations. That is, interest capitalized to PP&E is removed from capital expenditures and added to total interest paid.

**Interest capitalized to PP&E (current qtr)** The amount of interest added to property, plant and equipment during the current quarter.

**Interest capitalized to PP&E (YTD) (CF Adj)** Quarterly, year-to-date interest incurred on borrowed funds and capital leases during the construction of a PP&E project that is added to the cost of the project. This is a cash flow adjustment item for which necessary data may not be available in quarterly financial statements. When available it is disclosed in the notes to the financial statements. The amount of interest capitalized to PP&E is included PP&E on the balance sheet. On the cash flow analysis statement the account is used in computing total interest paid, a component of sustainable operating cash flow, and in computing capital expenditures, a component of investment to support operations. That is, interest capitalized to PP&E is removed from capital expenditures and added to total interest paid.

**Interest expense** The expense deduction during a period arising from outstanding debt and capital lease obligations as reported on the statement of income. Interest expense excludes interest capitalized to PP&E and inventory. On the cash flow analysis statement the account is used in computing interest paid, a component of sustainable operating cash flow. In instances where firms report interest expense, net, that interest expense, net is reported as interest expense.

**Interest expense as % of average borrowings** Interest expense as reported on the income statement, net of interest capitalized, measured as a percentage of average interest-bearing borrowings.

**Interest income** Income generated during a period on interest-bearing credit balances. On the cash flow analysis statement the account is used in computing other recurring cash receipts (disbursements), a component of cash flow available for debt service.

**Interest income (expense) on cash surplus (shortage)** On the forecast statements of income this account measures interest income projected to be earned on any cash surplus that is forecast to arise or interest expense to be incurred on any cash shortage that is forecast to arise. In each ensuing period, interest income (expense) is measured on the previous period's ending cash surplus or (shortage).

**Interest paid with common stock** The dollar amount of shares of common stock issued in lieu of the cash payment of interest. The account is used in computing total interest paid, a component of sustainable operating cash flow and in computing common equity financing, a component of financing transactions.

**Interest paid with common stock (YTD)** The quarterly, year-to-date dollar amount of shares of common stock issued in lieu of the cash payment of interest. The account is used in computing total interest paid, a component of sustainable operating cash flow and in computing common equity financing, a component of financing transactions.

**Interest payable** Interest due on borrowed funds that is currently due and payable. On the cash flow analysis statement the account is used in computing total interest paid, a component of sustainable operating cash flow.

**Interest-bearing borrowings** Short-term and long-term debt and capital lease obligations on which interest accrues.

**Internal-use software development costs** Costs incurred in developing new software applications for a company's own use and not for licensing to customers. Internal-use software development costs are capitalized once the preliminary project stage is completed.

**International Accounting Standard (IAS)** An accounting standard issued by the International Accounting Standards Committee. This Committee has been replaced by the International Accounting Standards Board (IASB). IAS standards have been adopted by the IASB.

**International Accounting Standards Board (IASB)** An international standard setting body. Its principal standard setting products are International Financial Reporting Standards (IFRS). The IASB assumed its duties from the International Accounting Standards Committee (IASC). Existing International Accounting Standards issued by the IASC were adopted by the IASB.

**International Financial Reporting Standard (IFRS)** A financial reporting standard issued by the International Accounting Standards Board.

**Inventories - Finished Goods** Stocks or goods that are completed and ready for sale.

**Inventories - Other** Stocks or goods that cannot be classified as raw materials, work in process or finished goods inventories.

**Inventories - Raw Materials** Stocks or goods in a raw or unmanufactured state that are used in the manufacture of goods for sale.

**Inventories - Work In Process** Stocks or goods in a partially manufactured or unfinished state that is not yet ready for sale.

**Inventory** The cost of goods held for resale in the ordinary course of operations. On the cash flow analysis statement the account is used in computing change in inventory, a component of cash cost of revenue. See also: [Inventory \(incl. capitalized interest\)](#)

**Inventory (in revenue days)** Inventory measured in terms of revenue from core operations per day. Calculated as inventory (incl. capitalized interest) divided by revenue from core operations measured on a daily basis using a 365-day year. See also: [Inventory \(incl. capitalized interest\) days](#)

**Inventory (incl. capitalized interest)** Inventory as reported on the balance sheet, before adjustment to remove any interest capitalized.

**Inventory (incl. capitalized interest) %** Inventory (incl. capitalized interest) as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations tied up in inventory at the end of a reporting period.

**Inventory (incl. capitalized interest) days** Inventory measured in terms of revenue from core operations per day. Calculated as inventory (incl. capitalized interest) divided by revenue from core operations measured on a daily basis using a 365-day year. See also: [Inventory \(in revenue days\)](#)

**Inventory (incl. capitalized interest) to revenue %** Inventory (incl. capitalized interest) as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations tied up in inventory at the end of a reporting period.

**Inventory - Decrease (Increase)** The change in inventory as carried on the company-reported indirect method statement of cash flows.

**Inventory before Lifo reserve** The amount of inventory measured on a FIFO cost or current cost basis. It is computed by adding the LIFO reserve back to LIFO inventory.

**Inventory before Lifo reserve / Inventory** The FIFO cost or current cost of inventory measured relative to inventory valued on a LIFO basis. The measure provides an approximation to the amount of undervaluation of inventory as reported on the balance sheet.

**Inventory days** Inventory measured in terms of revenue from core operations per day. Calculated as inventory, which includes capitalized interest, divided by revenue from core operations measured on a daily basis using a 365-day year. See also: [Inventory \(in revenue days\)](#)

**Inventory turnover** The number of times during a year that inventory is sold and replaced. Calculated by dividing cost of goods sold by ending inventory.

**Investing cash flow** See also: [Cash provided or used by investing activities](#)

**Investment in notes receivable** Cash invested in non-customer-related notes receivable measured as the change in notes receivable from one period to the next. For example, these receivables would include notes receivable from non-customers for the purpose of generating interest income as part of non-core operations. They are included as part of investment to support operations. Examples include retail notes receivable or other receivables generated by a finance subsidiary of a non-financial firm. Customer related notes receivable should be included with operating receivables. See also: [Investment in other net financial services assets](#)

**Investment in operations-related intangibles** Intangible assets purchased to support operations but not acquired as part of an acquisition. Examples include patents and other purchased technology-related assets, copyrights and trademarks. Capitalized operating expenses related to intangible assets, such as capitalized software development costs, are reported separately. Computed as the change in operations-related intangibles from one period to the next. It is included as part of investment to support operations.

**Investment in operations-related intangibles cash-flow profile** The driver underlying investment in operations-related intangibles. In particular, investment in operations-related intangibles is measured as a percentage of revenue from core operations on the presumption that operations-related intangibles will generally grow along with revenue and the scale of operations.

**Investment in operations-related intangibles to revenue %** Investment in operations-related intangibles divided by revenue from core operations. Investment in operations-related intangibles to revenue % provides insight into the effects on sustainable free cash flow of changes in the pattern of spending on operations-related intangibles.

**Investment in other net financial services assets** Other financial services assets, including notes receivable and other financial assets of a finance subsidiary of a non-financial firm less other financial services liabilities. Computed as the change in net other financial services assets from one period to the next. It is included as part of investment to support operations. See also: [Investment in notes receivable](#)

**Investment in other operations-related assets** Assets purchased to support operations that are not included elsewhere. Computed as the change in other operations-related assets from one period to the next. These assets were purchased to support operations rather than as an investment of sustainable free cash flow.

**Investment in other operations-related assets cash-flow profile** The driver underlying investment in other operations-related assets. In particular, investment in other operations-related assets is measured as a percentage of revenue from core operations on the presumption that other operations-related assets will generally grow along with revenue and the scale of operations.

**Investment in other operations-related assets to revenue %** Investment in other operations-related assets divided by revenue from core operations. Investment in other operations-related assets to revenue % provides insight into the effects on sustainable free cash flow of changes in the pattern of spending on other operations-related assets.

**Investment in other ops-related assets cash-flow profile** The driver underlying investment in other operations-related assets. In particular, investment in other operations-related assets is measured as a percentage of revenue from core operations on the presumption that other operations-related assets will generally grow along with revenue and the scale of operations.

**Investment in other ops-related assets to revenue %** Investment in other operations-related assets divided by revenue from core operations. Investment in other operations-related assets to revenue % provides insight into the effects on sustainable free cash flow of changes in the pattern of spending on other operations-related assets.

**Investment of sustainable free cash flow** Discretionary investments of sustainable free cash flow including short-term and long-term investments, acquisitions and other assets. Not to be confused with investment to support operations, which is needed to provide operations infrastructure.

**Investment support (Investment to support operations / Revenue from core operations)** The proportion of revenue from core operations expended on investment support, or investment-related cash expenditures to provide operations infrastructure, including capital expenditures, notes receivable and operations-related intangible assets.

**Investment to support operations** Investment-related cash expenditures to provide operations infrastructure, including capital expenditures, notes receivable and operations-related intangible assets. Not to be confused with the more discretionary investment of sustainable free cash flow.

**Investments in goodwill and acquisition-related intangibles** Goodwill, the excess of the amount paid in an acquisition over the fair value of the acquired entity's identifiable net assets, plus other intangible assets, acquired as part of a business acquisition. It is included as part of investment of sustainable free cash flow. Note that property, plant and equipment acquired as part of an acquisition are included with capital expenditures.

**Investments in other assets** Purchases of assets not properly classifiable elsewhere. Included as part of investment of sustainable free cash flow.

## L

**Last-in first-out (LIFO)** An inventory method that includes the earliest as opposed to most current, inventory acquisition costs in cost of sales.

**Layered adjustments** Adjustments to reported operating cash flow for nonrecurring items grouped into layers based upon the extent to which each item is perceived as being nonrecurring. The layered adjustments are employed in the process of measuring sustainable operating cash flow.

**Lease receivables** Amounts due from customers on long-term sales-type lease agreements.

**Leverage** Performance measures focused on analyzing a firm's ability to meet debt service requirements.

**Life cycle** The progression of a firm through various stages of its organizational life, consisting of start-up, growth, maturity and decline, during which earnings and operating cash flow have certain characteristic relationships.

**LIFO liquidation** A reduction in the physical quantity of an inventory that is accounted for using the LIFO method. A LIFO liquidation usually produces a nonrecurring increase in earnings because the older costs associated with the liquidated units are lower than current inventory costs.

**LIFO reserve** A disclosure required for firms reporting inventory on a LIFO, or last-in, first-out basis, it is the difference between inventory measured on a LIFO cost basis, reflecting older purchases costs, and that same inventory measured on a FIFO cost or current cost basis. For LIFO firms, the LIFO reserve provides an approximation to the amount that inventory is undervalued relative to current cost. On the financial performance report the account is used in computing ratios measuring activity.

**Liquidity** Performance measures focused on analyzing the availability of funds needed to meet near-term obligations.

**Litigation charge (income)** Any expense, loss or (income), where (income) is entered as a bracketed amount, resulting from corporate litigation. On the cash flow analysis statement the account is used in computing other nonrecurring cash receipts (disbursements), a component of investment of sustainable free cash flow.

**Long-Term Debt - Issuance** Cash provided from the issuance of long-term debt as carried on the company-reported indirect method statement of cash flows.

**Long-Term Debt - Reduction** Cash used to repurchase or retire long-term debt as carried on the company-reported indirect method statement of cash flows.

**Long-term debt and capital lease obligations** Financing obligations due beyond one year, consisting of the noncurrent portion of long-term debt, the noncurrent portion of capital lease obligations, noncurrent financing-related notes payable, and other financing-related noncurrent liabilities.

**Long-term debt financing** Long-term financing consisting of bonds payable, long-term debt, long-term capital lease obligations, other financing-related notes payable and other financing-related noncurrent liabilities.

**Long-term debt maturing 2nd year** Principal on long-term debt that is due and payable during the second year after the balance sheet date.

**Long-term debt maturing 3rd year** Principal on long-term debt that is due and payable during the third year after the balance sheet date.

**Long-term debt maturing 4th year** Principal on long-term debt that is due and payable during the fourth year after the balance sheet date.

**Long-term debt maturing 5th year** Principal on long-term debt that is due and payable during the fifth year after the balance sheet date.

**Long-term financing obligations** The principal due on debt obligations, including notes payable, bonds payable and other similar obligations considered to be part of a firm's financing arrangements, classified as long-term, that is, typically due beyond one year.

**Long-term investments** Investments in marketable and nonmarketable securities, including investments accounted for under the equity method, held for periods expected to extend beyond one year or the operating cycle, whichever is longer. On the cash flow analysis statement the account is used in computing long-term investments, a component of investment of sustainable free cash flow.

**Long-term receivables** Amounts due from customers, typically on an installment basis, which extend beyond one year.

## M

**Management's Discussion and Analysis of Operations and Financial Position (MD&A)** A presentation required by the SEC of registrants in their 10-K and 10-Q filings. The information includes commentary on changes in earnings over the past three years, a discussion of liquidity and capital resources, and the provision of information concerning contractual cash obligations.

**Mandatorily redeemable preferred stock** Preferred stock that carries an unconditional obligation to be repurchased at a specified or determinable date, making the shares a hybrid security between debt and equity.

**Marginal fed, state & foreign income tax rate on contg ops** The highest rate at which the last amount of revenue, gain, expense, or loss is taxed. In most cases the marginal rate is the combined statutory federal and state rates that are disclosed in the reconciliation of expected and actual taxes found in the tax note. The account is used on the financial performance report in computing ratios measuring profitability. See also: [Marginal tax rate](#)

**Marginal tax rate** The highest rate at which the last amount of revenue, gain, expense, or loss is taxed. In most cases the marginal rate is the combined statutory federal and state rates that are disclosed in the reconciliation of expected and actual taxes found in the tax note. The account is used on the financial performance report in computing ratios measuring profitability. See also: [Marginal fed, state & foreign income tax rate on contg ops](#)

**Market capitalization of common equity** The market value of a firm's outstanding common shares. It is computed as the number of common shares outstanding times the closing market price per share.

**Maturity stage** The third segment of a company's life cycle during which growth in revenue slows to or below the rate of growth in the overall economy, though earnings may continue to grow at a faster rate. Depending on the amount of non-cash expenses reported, such as depreciation and amortization expense, operating cash flow will usually exceed earnings.

**Mezzanine interests** All claims on the assets, earnings and cash flows of an entity that are not classifiable as liabilities or shareholders' equity. It is calculated as the sum of minority interest in equity plus other mezzanine interests.

**Mezzanine section** A middle section on the balance sheet positioned between liabilities and shareholders' equity, where claims that have elements of both, including minority interests, are typically reported.

**Minimum rent expense on operating leases** The amount of rent charged to expense on operating leases during the period, excluding contingent rents. It is disclosed in the notes to the financial statements. On the financial performance report, the account is used to calculate ratios measuring leverage. On the cash flow drivers report, the account is used to calculate measures related to capital expenditures.

**Minimum rent expense on operating leases (YTD)** The quarterly, year-to-date amount of rent charged to expense on operating leases during the period, excluding contingent rents. It is disclosed in the notes to the financial statements. On the financial performance report, the account is used to calculate ratios measuring leverage. On the cash flow drivers report, the account is used to calculate measures related to capital expenditures.

**Minimum rent expense on operating leases as % of revenue** The amount of rent charged to expense on operating leases during the period, excluding contingent rents measured as a percentage of revenue from core operations. See also: [Minimum rent expense on operating leases](#)

**Minority interest in (income) loss** An attribution to the third-party owners of that portion of net income of a consolidated entity that is not 100% owned. On the cash flow analysis statement the account is used in computing other equity-related financing, a component of investment of financing transactions.

**Minority interest in equity** The interest in the equity of an entity that reflects the portion of shareholders' equity owned by noncontrolling or third-party investors, or investors outside the consolidated entity. On the cash flow analysis statement the account is used in computing other equity-related financing, a component of financing transactions.

**Minority interest in income (loss)** An attribution to the third-party owners of that portion of net income of a consolidated entity that is not 100% owned. On the cash flow statement (indirect method) the account balance serves as an adjustment to Income (loss) from continuing operations in computing sustainable operating cash flow.

**Modified accrual accounting** An accounting basis that is a blend of cash and accrual accounting. Some items are accounted for on an accrual basis while others are accounted for on a cash basis.

**Money Flow (Technical Analysis)** The Money Flow Index (MFI) is used to measure the strength of money flowing in and out of a security. The MFI is similar to the Relative Strength Index (RSI), but also takes into consideration volume action.

**Moving Average Convergence Divergence (MACD)** The Moving Average Convergence Divergence (MACD), developed by Gerald Appel, is both an oscillator and a trend indicator. It is the difference between a fast Exponential Moving Average (EMA) and a slow Exponential Moving Average and the fast Moving Average is continually converging towards or diverging away from the slow Moving Average. A third Exponential Moving Average, or signal line, is then plotted to identify changes in trends and market sentiment.

## N

**Net assets (shareholders' equity)** Net assets, assets less liabilities and mezzanine interests, measured in terms of revenue from core operations per day. Calculated as net assets divided by revenue from core operations measured on a daily basis using a 365-day year.

**Net assets (shareholders' equity) (in revenue days)** Net assets, assets less liabilities and mezzanine interests, measured in terms of revenue from core operations per day. Calculated as net assets divided by revenue from core operations measured on a daily basis using a 365-day year.

**Net assets of discontinued operations** The separately identified assets less liabilities of a business segment or unit slated for disposition.

**Net capital expenditures** Gross capital expenditures less proceeds from the disposal of productive assets.

**Net cash paid in buyback of shares for options** The cash paid to repurchase shares issued as a result of the exercise of stock options by company officers and employees. The net amount paid is computed by subtracting the proceeds received from option exercises during the year from the cash paid to repurchase the same number of shares. Subtracted from this net payment is the amount of any tax benefit from stock options exercised.

**Net change in RE from balance sheet** The actual change in retained earnings from one period to the next as reported on the balance sheet. It will equal net change in retained earnings. This amount is automatically calculated.

**Net change in retained earnings** The actual change in retained earnings from one period to the next computed as calculated net income (loss) less dividends declared - preferred, less dividends declared - common, plus the inc (dec) in retained earnings for stock repurchases and conversions, plus the inc (dec) in retained earnings for other equity transactions plus other increase (decrease) in retained earnings. The amount will equal the net change in RE from balance sheet.

**Net Debt** Total debt less cash and cash equivalents on hand.

**Net income (loss)** GAAP-defined income as reported on the primary statement of income. Consists of net income (loss) from continuing operations less the effects, if any, of discontinued operations, extraordinary items and the cumulative effect of changes in accounting principle.

**Net income (loss) from continuing operations** After-tax net income before discontinued operations, extraordinary items and the cumulative effect of changes in accounting principle. See also: [Income \(loss\) from continuing operations](#)

**Net income (loss) from continuing operations per diluted share** Net income (loss) from continuing operations divided by the weighted average number of diluted common shares outstanding during the reporting period.

**Net income (loss) per diluted share** Net income (loss) divided by the average number of diluted common shares outstanding during the reporting period.

**Net income plus depreciation** Often referred to as traditional cash flow, its calculation removes an important non-cash expense from net income.

**Net increase (decrease) in cash and equivalents** The actual company reported change in cash and cash equivalents during a period. The model automatically calculates the change by combining reported cash provided (used ) by operating activities, reported cash provided (used) by investing activities, reported cash provided (used) by financing activities, effects of exchange rate changes on cash - source (use), and other reported source (use) of cash.

**Net margin** Sustainable earnings to revenue from core operations. The percentage of revenue from core operations that results in sustainable earnings.

**Net working capital** Current and operating working capital assets less current and operating working capital liabilities. A positive figure represents the amount of working capital assets that must be financed with other liabilities or shareholders' equity. A negative figure represents the amount that is being used to finance other noncurrent assets.

**NM (Net margin) (Sustainable earnings / Revenue from core operations)** The percentage of revenue from core operations that results in sustainable earnings.

**No. of common shares outstanding at period end** The total number of common shares outstanding as of the end of a reporting period. It is the number of common shares issued less common shares held in the treasury. On the financial performance report, the account is used in calculating ratios measuring dilution.

**No. of common shares repurchased during period (mln) (CF Adj)** The number of common shares repurchased during a period, whether held in the treasury, canceled or resold. This is a cash flow adjustment item. The amount is disclosed on the statement of shareholders' equity. On the cash flow analysis statement the account is used in computing net cash paid in buyback of shares for options, a component of other recurring cash receipts (disbursements).

**No. of common stock options exercisable at period end** The number of common shares covered by stock options that may be exercised at any time. On the financial performance report, the account is used in calculating ratios measuring dilution.

**No. of common stock options exercised during period (CF Adj)** The number of common shares issued as a result of stock options exercised during the period. This is a cash flow adjustment item. The amount is disclosed in the notes to the financial statements. On the cash flow analysis statement the account is used in computing net cash paid in buyback of shares for options, a component of other recurring cash receipts (disbursements) and in computing common equity financing, a component of financing transactions.

**No. of common stock options granted during period** The number of common shares covered by stock options that were granted during the period. On the financial performance report, the account is used in calculating ratios measuring dilution.

**No. of common stock options outstanding at period end** The number of common shares covered by stock options outstanding at period end. On the financial performance report, the account is used in calculating ratios measuring dilution.

**No. of employees in core operations** The total number of persons employed by an organization. On the financial performance report, the account is used in calculating ratios measuring activity.

**Noncontrolling interest** Generally, minority interest. However, the term is used to reflect a minority shareholder interest when the definition of control is extended beyond a simple majority share ownership interest. Any interest in an entity besides that of a controlling shareholder.

**Noncurrent accrued expenses payable** Incurred operating costs or expenses that have not been paid and for which payment is expected to be made beyond one year or the operating cycle, whichever is longer. On the cash flow analysis statement the account is used in computing change in accruals, a component of cash operating expense. See also: [Accruals](#)

**Noncurrent assets** Assets not classified as current assets. When a total amount is given, it represents the total amount of noncurrent assets as reported on the balance sheet.

**Noncurrent assets of discontinued operations** Noncurrent assets of business segment or separately-reported business unit that is scheduled for disposition. On the cash flow analysis statement the account is used in computing disposition of discontinued operations, a component of investment of sustainable free cash flow.

**Noncurrent capitalized operating expenses** Expenditures that are reported as assets to be amortized against future revenue and that are classified as noncurrent. On the cash flow analysis statement the account is used in computing change in capitalized operating expenses, a component of cash operating expense. See also: [Capitalized operating expenses](#)

**Noncurrent deferred revenue** Revenue that is collected in advance of being earned and is reported as a liability. Because it is classified as noncurrent, the revenue is expected to be earned beyond one year or the operating cycle, whichever is longer. Also referred to as unearned revenue, customer deposits, and for airlines, air traffic liability. For contractors, deferred revenue consists of amounts billed customers in excess of cost plus profit recognized. On the cash flow analysis statement the account is used in computing change in deferred revenue, a component of cash from revenue. See also: [Deferred revenue](#)

**Noncurrent deferred tax assets** Future tax benefits that result from (1) the origination of a deductible temporary difference, that is, a tax deduction that can be used in a future period, or (2) a loss or tax-credit carryover. These future tax benefits are realized upon the reversal of deductible temporary differences. In addition, realization can occur by the offsetting of a loss carryforward against taxable income or a tax credit carryforward against taxes currently payable. The noncurrent classification arises from the fact that these deferred tax assets arise from balance-sheet items that are classified as noncurrent, such as a restructuring reserve expected to be settled beyond one year. On the cash flow analysis statement the account is used in computing income taxes (paid) recovered on continuing operations, a component of cash flow available for debt service.

**Noncurrent deferred tax assets to income before income taxes %** Future tax benefits that result from (1) the origination of a deductible temporary difference, that is, a tax deduction that can be used in a future period, or (2) a loss or tax-credit carryover, measured as a percentage of income before income taxes. The noncurrent classification arises from the fact that these deferred tax assets arise from balance-sheet items that are classified as noncurrent. See also: [Noncurrent deferred tax assets](#)

**Noncurrent deferred tax liabilities** Future tax obligations that result from the origination of taxable temporary differences. When they originate, these temporary differences cause pretax book income to exceed taxable income. These future tax obligations are later paid when temporary differences reverse, now causing taxable income to exceed pretax book income. The noncurrent classification arises from the fact that these deferred tax liabilities arise from balance-sheet items that are classified as noncurrent, such as property, plant and equipment. On the cash flow analysis statement the account is used in computing income taxes (paid) recovered on continuing operations, a component of cash flow available for debt service.

**Noncurrent deferred tax liabilities to income before income taxes %** Future tax obligations that result from the origination of taxable temporary differences measured as a percentage of income before income taxes. The noncurrent classification arises from the fact that these deferred tax liabilities arise from balance-sheet items that are classified as noncurrent. See also: [Noncurrent deferred tax liabilities](#)

**Noncurrent financing-related notes payable** Notes payable and other borrowings the principal on which is due beyond one year. On the cash flow analysis statement the account is used in computing long-term debt financing, a component of financing transactions.

**Noncurrent liabilities** Liabilities expected to be repaid or otherwise settled beyond one year or the operating cycle, whichever is longer. When a total is given it represents the total of noncurrent liabilities as reported on the balance sheet.

**Noncurrent liabilities of discontinued operations** Current liabilities of business segment or separately-reported business unit that is scheduled for disposition. On the cash flow analysis statement the account is used in computing disposition of discontinued operations, a component of investment of sustainable free cash flow.

**Noncurrent other notes receivable** Non-customer-related notes receivable classified as noncurrent. On the cash flow analysis statement the account is used in computing investment in notes receivable, a component of investment to support operations. See also: [Investment in notes receivable](#)

**Noncurrent other operating-related receivables, net** Amounts due from customers or other operating-related transactions that is due beyond one year or the operating cycle, whichever is longer. On the cash flow analysis statement the account is used in computing change in operating receivables, a component of cash from revenue. See also: [Customer-related notes receivable](#)

**Noncurrent portion, capital lease obligations** Principal on capital lease obligations net of any principal due within one year. On the cash flow analysis statement the account is used in computing long-term debt financing, a component of financing transactions.

**Noncurrent portion, long-term debt** Principal on long-term debt borrowings net of any principal due within one year. On the cash flow analysis statement the account is used in computing long-term debt financing, a component of financing transactions.

**Noncurrent prepaid expenses and deferred charges** Costs or expenses that have been paid in advance of being incurred and that are classified as noncurrent. On the cash flow analysis statement the account is used in computing change in prepaids, a component of cash operating expense. See also: [Prepaids](#)

**Noncurrent subordinated and convertible debt** Principal amount on borrowings that, in the event of liquidation of corporate assets, have a secondary claim to other senior obligations. Convertible debt, which is typically subordinated, is included here. On the cash flow analysis statement the account is used in computing subordinated debt financing, a component of financing transactions.

**Noncurrent subordinated debt** Principal amount on borrowings that, in the event of liquidation of corporate assets, have a secondary claim to other senior obligations. On the cash flow analysis statement the account is used in computing subordinated debt financing, a component of financing transactions.

**Noncurrent vendor-related notes payable** Noncurrent amounts due vendors for purchases made that are represented by a more formal obligation than credit due on open account. On the cash flow analysis statement the account is used in computing change in operating payables, a component of cash cost of revenue. See also: [Operating payables](#)

**Nonqualified stock option** An option to purchase stock that requires payment of ordinary income taxes by the option holder on the date of exercise on income equal to the excess of the market price of the purchased stock over the exercise price of the option. The company issuing the option receives an expense deduction equal to the ordinary income of the option holder.

**Nonrecurring cash flow** Operating cash flow that appears infrequently or that may appear with some regularity but is very irregular in amount. In addition, even though included in operating cash flow, nonrecurring cash flow is often not closely tied to the core operating activities of the firm.

**Nonrecurring revenue, expense, gain and loss** Items that appear infrequently or that may appear with some regularity but are very irregular in amount. These items are usually not closely tied to the core operating activities of the firm.

**Notes payable** Promissory notes that are evidence of a debt and state the terms of interest and principal payment.

**Notes receivable** The sum of the current and noncurrent portions of non-customer-related notes receivable.

## O

**OCM™ Operating cash margin™** The percentage of revenue from core operations that results in sustainable operating cash flow. It is driven by the determinants of a firm's core cash margin, its other recurring cash receipts and disbursements, income taxes paid, and interest paid. Because it is calculated as the amount of sustainable operating cash flow generated during a period measured as a percentage of revenue from core operations, Operating cash margin™ is influenced by changes in a firm's cash-flow drivers. For example, a reduction in inventory days or an increase in operating payables days would increase Operating cash margin™, but only temporarily. As such, a firm's Operating cash margin™ for one period is not necessarily indicative of Operating cash margin™ for future periods.

**Oil exploration and development costs** Costs incurred in exploring for new oil reserves and for preparing existing reserves for sale, including the drilling and equipping of wells.

**OM (Operating margin) (Operating profit from core operations / Revenue from core operations)** The percentage of revenue from core operations that results in operating profit.

**Operating cash flow** Cash flow from operating activities computed in accordance with generally accepted accounting principles.

**Operating cash margin™ OCM™**

**Operating cushion** Operating profit, or core pretax profit from central operations calculated as revenue less cost of revenue, selling, general and administrative expense and research and development expense, measured before the non-cash expenses of depreciation and amortization. Operating cushion may be divided by revenue from core operations to derive an operating cushion %.

**Operating cycle** The time span during which cash is used to acquire goods and services, which in turn are sold to customers, who in turn ultimately pay for their purchases in cash. It can be calculated as inventory days plus receivables days.

**Operating earnings** An earnings measure that excludes selected items of nonrecurring gain, revenue, loss, and expense. This is not a GAAP measure and its determination may vary widely among different companies.

**Operating expenses** Expenses incurred in the general operations of a firm, including selling, general and administrative expense and research and development expense.

**Operating income** See also: [Operating profit](#)

**Operating lease** A lease that does not transfer the risks and rewards of ownership to the lessee. Operating lease payments are expensed as incurred.

**Operating lease commitments - 5 year total** The cumulative minimum rent expense on operating leases due within five years.

**Operating lease commitments - beyond 5 years** The cumulative minimum rent expense on operating leases due beyond five years.

**Operating loss carryforward** Losses are first carried back for two-years, eliminating previous profits and producing a tax refund. If losses remain, then these may be carried forward for as long as 20 years. These losses will shield future profits from taxation. Corporations may also elect to forgo the loss carryback and only carry the loss forward for 20 years.

**Operating margin** Operating profit to revenue from core operations.

**Operating payables** Amounts due vendors, including accounts payable and notes payable, for purchases made. Overdrafts payable, which are reported as part of short-term debt, are excluded.

**Operating payables (in revenue days)** Operating payables measured in terms of revenue from core operations per day. Calculated as operating payables divided by revenue from core operations measured on a daily basis using a 365-day year. See also: [Operating payables days](#); [Payables days](#)

**Operating payables days** Operating payables measured in terms of revenue from core operations per day. Calculated as operating payables divided by revenue from core operations measured on a daily basis using a 365-day year. See also: [Operating payables \(in revenue days\)](#); [Payables days](#)

**Operating payables to revenue %** Operating payables as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations owed to vendors as of the end of a reporting period.

**Operating profit** Core pretax profit from central operations calculated as revenue less cost of goods sold, selling, general and administrative expense and research and development expense. See also: [Operating profit from core operations](#)

**Operating profit from core operations** Core pretax profit from central operations calculated as revenue less cost of goods sold, selling, general and administrative expense and research and development expense. See also: [Operating profit](#)

**Operating profit from core operations growth** The percentage change in operating profit from core operations from one period to the next.

**Operating profit from financial services operations** Operating profit of a non-core financial services subsidiary calculated as revenue from financial services operations less expenses of financial services operations.

**Operating profit from financial services operations growth** The percentage change in operating profit from financial services operations from one period to the next.

**Operating receivables** Customer-related receivables including accounts receivable, notes receivable, and for contractors, cost plus profit recognized in excess of amounts billed customers. Customer-related receivables are reported gross of securitization interests in receivables, which are reported on the balance sheet as a component of short-term debt.

**Operating receivables (in revenue days)** Operating receivables measured in terms of revenue from core operations per day. Calculated as operating receivables divided by revenue from core operations measured on a daily basis using a 365-day year. See also: [Operating receivables days](#); [Receivables days](#)

**Operating receivables days** Operating receivables measured in terms of revenue from core operations per day. Calculated as operating receivables divided by revenue from core operations measured on a daily basis using a 365-day year. See also: [Receivables days](#)

**Operating receivables to revenue %** Operating receivables as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations tied up in amounts due from customers as of the end of a reporting period.

**Operating working capital** Assets, including operating receivables, inventory, prepaids and capitalized operating expenses, that are used in operations less liabilities, including deferred revenue, operating payables, and accruals, that are incurred in operations. Operating working capital assets and liabilities are typically, but are not always current assets and current liabilities.

**Operating working capital (cash cycle)** The time span, calculated based on revenue from core operations measured on a daily basis using a 365-day year, during which a firm's own cash is used to acquire or produce goods and services, which in turn are sold to customers, who in turn ultimately pay for their purchases in cash. It is calculated as operating receivables days plus inventory (incl. capitalized interest) days plus capitalized operating expenses days, plus prepaids days, minus deferred revenue days, minus operating payables days minus accruals days. Reductions in the measure indicate improving efficiencies in managing operating working capital. See also: [Cash cycle](#); [Operating working capital \(cash cycle\) \(in revenue days\)](#)

**Operating working capital (cash cycle) (in revenue days)** The time span, calculated based on revenue from core operations measured on a daily basis using a 365-day year, during which a firm's own cash is used to acquire or produce goods and services, which in turn are sold to customers, who in turn ultimately pay for their purchases in cash. It is calculated as operating receivables days plus inventory (incl. capitalized interest) days plus capitalized operating expenses days, plus prepaids days, minus deferred revenue days, minus operating payables days minus accruals days. Reductions in the measure indicate improving efficiencies in managing operating working capital. See also: [Cash cycle](#); [Operating working capital \(cash cycle\) \(in revenue days\)](#)

**Operating working capital assets** Assets used in operations consisting of operating receivables, inventory, capitalized operating expenses and prepaids

**Operating working capital assets (in revenue days)** Operating working capital assets, consisting of operating receivables, inventory, capitalized operating expenses and prepaids, measured in terms of revenue from core operations per day. Calculated as operating working capital assets divided by revenue from core operations measured on a daily basis using a 365-day year.

**Operating working capital liabilities** Liabilities incurred in operations consisting of deferred revenue, operating payables and accruals.

**Operating working capital liabilities (in revenue days)** Operating working capital liabilities, consisting of deferred revenue, operating payables, and accruals, measured in terms of revenue from core operations per day. Calculated as operating working capital liabilities divided by revenue from core operations measured on a daily basis using a 365-day year.

**Operating working capital measured in revenue days** The time span, calculated based on revenue from core operations measured on a daily basis using a 365-day year, during which a firm's own cash is used to acquire or produce goods and services, which in turn are sold to customers, who in turn ultimately pay for their purchases in cash. It is calculated as operating receivables days plus inventory (incl. capitalized interest) days plus capitalized operating expenses days, plus prepaids days, minus deferred revenue days, minus operating payables days minus accruals days. Reductions in the measure indicate improving efficiencies in managing operating working capital. See also: [Cash cycle](#); [Operating working capital \(cash cycle\) \(in revenue days\)](#)

**Operating working capital measured in revenue days (Cash cycle using annualized revenue)** The time span, calculated based on revenue from core operations measured on a daily basis using a 365-day year, during which a firm's own cash is used to acquire or produce goods and services, which in turn are sold to customers, who in turn ultimately pay for their purchases in cash. It is calculated as operating receivables days plus inventory (incl. capitalized interest) days plus capitalized operating expenses days, plus prepaids days, minus deferred revenue days, minus operating payables days minus accruals days. Reductions in the measure indicate improving efficiencies in managing operating working capital. For quarterly results, revenue is annualized before the ratio is computed. See also: [Cash cycle](#); [Operating working capital \(cash cycle\) \(in revenue days\)](#)

**Operating working capital measured in revenue days (Cash cycle)** The time span, calculated based on revenue from core operations measured on a daily basis using a 365-day year, during which a firm's own cash is used to acquire or produce goods and services, which in turn are sold to customers, who in turn ultimately pay for their purchases in cash. It is calculated as operating receivables days plus inventory (incl. capitalized interest) days plus capitalized operating expenses days, plus prepaids days, minus deferred revenue days, minus operating payables days minus accruals days. Reductions in the measure indicate improving efficiencies in managing operating working capital. See also: [Cash cycle](#); [Operating working capital \(cash cycle\) \(in revenue days\)](#)

**Operating working capital to revenue %** Operating working capital as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations tied up in working capital as of the end of a reporting period. Core operating cash flow is consumed by increases in operating working capital. Changes in operating working capital to revenue % measures a firm's efficiency in managing operating working capital. See also: [Cash cycle](#)

**Operating working capital to revenue % (annualized revenue)** Operating working capital as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations tied up in working capital as of the end of a reporting period. Core operating cash flow is consumed by increases in operating working capital. Changes in operating working capital to revenue % measures a firm's efficiency in managing operating working capital. For quarterly results, revenue is annualized before the ratio is computed. See also: [Cash cycle](#)

**Operations-related intangibles** Intangible assets purchased to support operations but not acquired as part of an acquisition. Examples include patents and other purchased technology-related assets, copyrights and trademarks. Capitalized operating expenses related to intangible assets, such as capitalized software development costs, are reported separately. On the cash flow analysis statement the account is used in computing investment in operations-related intangibles, a component of investment to support operations.

**Operations-related intangibles, net (in revenue days)** Operations-related intangibles measured in terms of revenue from core operations per day. Calculated as operations-related intangibles, net divided by revenue from core operations measured on a daily basis using a 365-day year.

**Opportunistic cash flow classifications** Cash flow classifications that are motivated by the desire to achieve a particular operating cash flow outcome. The presence of some degree of flexibility or ambiguity in cash flow classification is exploited. See also: [Creative cash flow reporting](#)

**Option and non-cash compensation expense incl. in SG&A** Equity-related compensation expense that is included in SG&A. On the cash flow analysis statement, the account is used in computing selling, general and administrative expense (excl. depreciation & amortization), a component of cash operating expense, and in computing common equity financing, a component of financing transactions.

**Option and non-cash compensation expense incl. in SG&A (YTD)** Quarterly, year-to-date equity-related compensation expense that is included in SG&A. On the cash flow analysis statement, the account is used in computing selling, general and administrative expense (excl. depreciation & amortization), a component of cash operating expense, and in computing common equity financing, a component of financing transactions.

**Option premium** The purchase price of a call option or put option that reflects both an intrinsic value for the option represented by the difference between the option's exercise price and the market price of the asset covered by the option and the time value of money.

**Options exercisable at period end / Shares outstanding** A measure of the potential near-term dilution of common shares outstanding as a result of the exercise of outstanding options.

**Options exercised during period / Average basic shares outstanding** A measure of actual dilution of average basic shares outstanding as a result of options exercised during the period.

**Options granted during period / Average basic shares outstanding** A measure of potential future dilution of average basic shares outstanding resulting from new option grants during the period.

**Options outstanding at period end / Shares outstanding** A measure of potential future dilution of shares outstanding at period end resulting from the exercise of options.

**Order backlog** The amount of outstanding, unfilled orders as of the end of the period. On the financial performance report, the account is used in calculating ratios measuring profitability.

**Originating temporary differences** The initial creation of a temporary difference between pretax book income and taxable income.

**Other (income) expense - nonrecurring** Income or expense of a nonrecurring nature that does not fit identified categories. Judging whether other income or expense is recurring or nonrecurring depends on such factors as the likely source and whether amounts are reasonably stable or growing consistently over time. On the cash flow statement (indirect method), the account balance is removed from Income (loss) from continuing operations in the computation of sustainable operating cash flow.

**Other acquisitions-related intangible assets, net** Intangible assets, other than goodwill, arising as a result of an acquisition, net of accumulated amortization or writedowns for impairment. Examples include patents, trademarks, brands, customer lists and non-compete agreements. On the cash flow analysis statement the account is used in computing investments in goodwill and acquisition-related intangibles, a component of investment of sustainable free cash flow.

**Other current assets** Current assets not directly classifiable elsewhere including current other notes receivable, other operations-related current assets, other investing-related current assets and current assets of discontinued operations.

**Other current liabilities** Current liabilities not directly classifiable elsewhere including other operations-related current liabilities and current liabilities of discontinued operations.

**Other equity-related financing** Net proceeds from equity-related financing transactions that are not classified as either preferred equity financing or common equity financing. Mezzanine financing is included here, including changes in minority interests. Changes in retained earnings for transactions excluding net income or dividends are included here, for example, reductions in retained earnings resulting from stock buybacks and stock conversions. Also included is any change in the amount by which the balance sheet is out of balance.

**Other financial services assets** Notes receivable and other financial assets of a finance subsidiary of a non-financial firm. On the cash flow analysis statement the account is used in computing investment in other net financial services assets, a component of investment to support operations.

**Other financial services liabilities** Financing-related obligations of a financial services firm that are not included as borrowings elsewhere. Accruals and other liabilities arising in the course of operations should be excluded. On the cash flow analysis statement the account is used in computing investment in other net financial services assets, a component of investment to support operations.

**Other financing-related current liabilities** The principal amount on obligations due within one year that are not included as borrowings elsewhere. Financing-related liabilities do not include accruals and other liabilities arising in the course of operations. On the cash flow analysis statement the account is used in computing short-term debt financing, a component of financing transactions.

**Other financing-related noncurrent liabilities** The principal amount on obligations due beyond one year that are not included as borrowings elsewhere. Financing-related liabilities do not include accruals and other liabilities arising in the course of operations. On the cash flow analysis statement the account is used in computing long-term debt financing, a component of financing transactions.

**Other financing-related noncurrent liabilities and other financial services liabilities** All financing-related obligations that are not included as borrowings elsewhere. Calculated as the sum of other financing-related noncurrent liabilities and other financial services liabilities.

**Other income (expense)** All sources of income and expense from continuing operations that does is not considered part of core operations or of financial services operations.

**Other income (expense) - nonrecurring** Income or expense of a nonrecurring nature that does not fit identified categories. Judging whether other income (expense) is recurring or nonrecurring depends on such factors as the likely source and whether amounts are reasonably stable or growing consistently over time. On the cash flow analysis statement the account is used in computing other nonrecurring cash receipts (disbursements), a component of investment of sustainable free cash flow.

**Other income (expense) - recurring** Income or expense of a recurring nature that does not fit identified categories. Judging whether other income (expense) is recurring or nonrecurring depends on such factors as the likely source and whether amounts are reasonably stable or growing consistently over time. On the cash flow analysis statement the account is used in computing other recurring cash receipts (disbursements), a component of cash flow available for debt service.

**Other increase (decrease) in retained earnings** An amount needed to account for the change in retained earnings from one period to the next that has not already been accounted for with net income, dividends, and other known equity-related transactions. This account, which is automatically computed, reconciles the change in retained earnings accounted for with income, dividends and other known equity-related transactions with the actual change in retained earnings from one period to the next as reported on the balance sheet. Prior-period restatements and reclassifications can cause this account to show a balance. However, it is also possible that input data for the statement of income, statement of shareholders' equity or the balance sheet were entered in error. When a balance is reported for this account, except in the first year for which data is available for a firm, activity in retained earnings on the company-provided statement of shareholders' equity should be compared with similar activity on the statement of income and related input data to evaluate and resolve its cause. On the cash flow analysis statement the account is used in computing other increase (decrease) in retained earnings, a component of financing transactions.

**Other investing assets** Unidentified assets related to the investing activities of as opposed to the operating activities of the firm.

**Other investing-related current assets** Assets, not classifiable elsewhere, that are not purchased in direct support of operations infrastructure but that serve as a discretionary use of sustainable free cash flow. The assets will be consumed or disposed of within one year or the operating cycle, whichever is longer. On the cash flow analysis statement the account is used in computing investments in other assets, a component of investment of sustainable free cash flow.

**Other investing-related noncurrent assets** Assets, not classifiable elsewhere, that are not purchased in direct support of operations infrastructure but serve as a discretionary use of sustainable free cash flow. The assets are classified as noncurrent. On the cash flow analysis statement the account is used in computing investments in other assets, a component of investment of sustainable free cash flow.

**Other mezzanine interests** Claims on the assets, earnings and cash flows of an entity that are not classifiable as liabilities or shareholders' equity and that are not a component of minority interest in equity. One example is redeemable preferred stock that is not classified as a liability. On the cash flow analysis statement the account is used in computing other equity-related financing, a component of financing transactions.

**Other net financial services assets** Financial services assets of a finance subsidiary of a non-financial firm less other financial services liabilities.

**Other nonrecurring cash receipts (disbursements)** Cash receipts and disbursements that are not from a sustainable origin. Included as part of investment of sustainable free cash flow. Examples include nonrecurring revenue and other nonrecurring income or expense, foreign currency gains and losses, restructuring charges adjusted for changes in a restructuring reserve, litigation charges, extraordinary items, and changes in other balance sheet accounts such as other operations-related liabilities and accumulated other comprehensive income.

**Other operations-related assets** Assets purchased to support operations that are not included elsewhere. These assets were purchased to support operations rather than as an investment of sustainable free cash flow.

**Other operations-related current assets** Assets purchased to support operations infrastructure that are not included elsewhere and that are to be held for less than one year or the operating cycle, whichever is longer. On the cash flow analysis statement the account is used in computing investment in other operations-related assets, a component of investment to support operations.

**Other operations-related current assets (in revenue days)** Other operations-related current assets measured in terms of revenue from core operations per day. Calculated as other operations-related current assets divided by revenue from core operations measured on a daily basis using a 365-day year.

**Other operations-related current liabilities** Obligations incurred in operations that are not classified elsewhere and that are due within one year or the operating cycle, whichever is longer. On the cash flow analysis statement the account is used in computing other nonrecurring cash receipts (disbursements), a component of investment of sustainable free cash flow.

**Other operations-related noncurrent assets** Assets purchased to support operations that are not included elsewhere and that are classified as noncurrent. On the cash flow analysis statement the account is used in computing investment in other operations-related assets, a component of investment to support operations.

**Other operations-related noncurrent assets (in revenue days)** Other operations-related noncurrent assets measured in terms of revenue from core operations per day. Calculated as other operations-related noncurrent assets divided by revenue from core operations measured on a daily basis using a 365-day year.

**Other operations-related noncurrent liabilities** Obligations incurred in operations that are not classified elsewhere and that are classified as noncurrent. On the cash flow analysis statement the account is used in computing other nonrecurring cash receipts (disbursements), a component of investment of sustainable free cash flow.

**Other positive (negative) equity accounts** Shareholders' equity accounts that are not classified elsewhere. On the cash flow analysis statement the account is used in computing common equity financing, a component of financing transactions.

**Other recurring cash receipts (disbursements)** Cash receipts and disbursements that are not part of core operations but that are nonetheless from a sustainable source. Examples include collections for interest, dividends, rents, royalties and miscellaneous collections that are nonetheless considered recurring. Also included are revenue and expenses from financial services operations and any net cash paid in the buyback of shares for options.

**Other reported financing source (use) of cash** Other unidentified financing sources or (uses) of cash as carried on the company-reported indirect method statement of cash flows.

**Other reported investing source (use) of cash** Other unidentified investing sources or (uses) of cash as carried on the company-reported indirect method statement of cash flows.

**Other reported operating source (use) of cash** Other unidentified sources of (uses) of cash as carried on the company-reported indirect method statement of cash flows.

**Other reported source (use) of cash** Company reported changes in cash that are not classified as operating, investing, financing cash flow or as the effects of exchange rate changes in cash.

**Other shareholders' equity** Common shareholder claims on the assets, earnings and cash flows of an entity that are not classifiable elsewhere. It consists of other positive (negative) equity accounts, less deferred compensation, less subscription notes receivable, and plus or minus the amount, if any, by which the balance sheet is out of balance.

**Outsized cash outflow** A cash outflow of which a portion is unlikely to be sustained. A common example is a dramatically increased contribution to underfunded defined benefit pension plans.

**Overdraft** A negative cash balance.

**Overdrafts payable** A negative cash balance for reporting purposes consisting of the excess of outstanding checks over a stated bank cash balance. On the cash flow analysis statement the account is used in computing short-term debt financing, a component of financing transactions. See also: [Book overdraft](#)

**Overdrafts payable included in accounts payable** The amount of book overdrafts included in accounts payable. If material, it is disclosed in the notes to the financial statements. On the balance sheet, overdrafts payable are included with short-term debt. On the cash flow analysis statement the account is used in computing change in operating payables, a component of cash cost of revenue, and in computing short-term debt financing, a component of financing transactions.

**Overdrafts payable included in accounts payable (CF Adj)** The amount of book overdrafts included in accounts payable. This is an adjustment item. If material, it is disclosed in the notes to the financial statements. On the balance sheet, overdrafts payable are included with short-term debt. On the cash flow analysis statement the account is used in computing change in operating payables, a component of cash cost of revenue, and in computing short-term debt financing, a component of financing transactions.

## P

**Parabolic Stop-and-Reversal (SAR)** The Parabolic Stop-and-Reversal (SAR) indicator, developed by Welles Wilder, sets trailing price stops for long or short positions. The indicator appears as dotted lines above or below the price action. The SAR on top of the prices indicates a short position, whereas when the SAR is below the prices, a long position should be in place. However, a trend should be established first before entering into any position.

At the beginning of the move, the Parabolic SAR will have a wider gap between the price and the trailing stop. The gap will gradually diminish, thus making for a tighter stop-loss value as the price moves in the direction of the prevailing trend. However, note that the SAR will move upward (downward) every period if the position is long (short) regardless of the direction of the price action. When the price intersects the SAR, a reversal is imminent and the position should be reversed, as the indicator's name implies.

**Payables days** The number of days it would take to pay the ending balance in operating payables at the average rate of costs of goods sold per day. Calculated by dividing 365 by payables turnover. See also: [Operating payables days](#)

**Payables turnover** The number of times during a year that operating payables are repaid and re-incurred. Calculated by dividing cost of goods sold by ending operating payables.

**PE (price to sustainable earnings per diluted share)** The price / earnings multiple computed using the closing price and sustainable earnings per diluted share.

**PE (price to TTM sustainable earnings per diluted share)** The price / earnings multiple computed using the closing price and TTM sustainable earnings per diluted share.

**Percentage-of-completion accounting** A method of accounting for contracts requiring extended periods of completion where revenue and profit are recognized based on progress made toward completion. Revenue amounts recognized may differ from amounts billed.

**Performance** Abbreviation for Financial Performance Report.

**Permanent difference** A difference between book and tax return income that never reverses. Life insurance proceeds are considered to be revenue for book purposes but are exempt from taxation. A fine is never deductible in the tax return but is typically a deduction in the book income statement. Each of these is a permanent difference.

**Pledge of accounts receivable** A secured borrowing arrangement based on accounts receivable where selected accounts receivable serve as loan collateral.

**Policy acquisition costs** See also: [Customer acquisition costs](#)

**Preferred dividends** Dividends declared on preferred stock.

**Preferred dividends declared** The dollar amount of dividends declared on preferred stock during the reporting period.

**Preferred Dividends in Arrears** The dollar amount of preferred dividends on cumulative preferred stock that has not been paid. Typically, these dividends must be paid before dividends may be paid on common stock.

**Preferred equity financing** Net proceeds from the issue of preferred stock.

**Preferred stock** The dollar amount of issued preferred stock. On the cash flow analysis statement the account is used in computing preferred equity financing, a component of financing transactions.

**Preferred stock dividend paid in common stock** The dollar amount of shares of common stock issued in lieu of the cash payment of dividends on preferred stock. On the cash flow analysis statement the account is used in computing dividends - preferred, a component of cash flow available for investment and in computing common equity financing, a component of financing transactions.

**Preferred Stock Redemption Value** The total dollar value of the greater of the voluntary liquidation value of all outstanding preferred shares or the mandatory redemption value of those shares.

**Premature revenue** Revenue recognized for a confirmed sale or service transaction in a period prior to that called for by generally accepted accounting principles.

**Prepays** Costs or expenses that have been paid in advance of being incurred. Unlike capitalized operating expenses for which there typically is no established period over which capitalized amounts are utilized, prepaid expenses typically have a pre-established or measurable period over which they are consumed. Examples include prepaid insurance and prepaid rent. Also referred to as prepaid expenses.

**Prepays (in revenue days)** Prepays measured in terms of revenue from core operations per day. Calculated as prepaids divided by revenue from core operations measured on a daily basis using a 365-day year. See also: [Prepays days](#)

**Prepays days** Prepays measured in terms of revenue from core operations per day. Calculated as prepaids divided by revenue from core operations measured on a daily basis using a 365-day year. See also: [Prepays \(in revenue days\)](#)

**Prepays to revenue %** Prepays as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations tied up in prepaids as of the end of a reporting period.

**Pretax sustainable earnings** An earnings measure calculated before income tax expense that is adjusted to exclude known items of nonrecurring revenue, gain, expense and loss. It is calculated as operating profit from core operations + operating profit from financial services operations + interest income + dividend income + rental and royalty income + equity method income (loss) - interest expense + minority interest in (income) loss + other recurring income (expense). While it excludes known nonrecurring items, pretax sustainable earnings may still include non-obvious and unknown effects of overly aggressive or increasingly conservative accounting practices. The Earnings Quality Indicator™ or EQI™ is an effective tool for surfacing developing operational problems and aggressive or conservative accounting practices.

**Pretax sustainable earnings growth** The percentage change in pretax sustainable earnings from one period to the next. See also: [Pretax sustainable earnings](#)

**Pretax sustainable earnings return on average assets** The percent pretax earnings return generated by average total assets during a period. Calculated by dividing pretax sustainable earnings by average total assets. Pretax sustainable earnings are adjusted to exclude known items of nonrecurring revenue, gain, expense and loss.

**Price to book value** A valuation metric calculated as the closing market price to book value per common share.

**Price to cash and investments less borrowings** A valuation metric calculated as the closing market price divided by cash and short-term investments net of total borrowings.

**Price to cash and investments less borrowings (not less than zero)** A valuation metric that measures the closing price relative to cash and cash equivalents plus short-term investments, trading securities and long-term investments, less outstanding borrowings. No amount is reported when borrowings exceed cash and investments.

**Price to EBITDA per diluted share** A price multiple calculated using earnings before interest expense, tax expense, depreciation and amortization expense per diluted share.

**Price to sustainable free cash flow per diluted share** A price multiple calculated using sustainable free cash flow per diluted share.

**Price to sustainable operating cash flow per diluted share** A price multiple calculated using sustainable operating cash flow per diluted share.

**Price to tangible net worth** A valuation metric that measures the closing price relative to tangible net worth, shareholders' equity less goodwill and acquisition-related intangibles.

**Price to TTM sustainable free cash flow per diluted share** For quarterly results, a price multiple calculated using trailing twelve months sustainable free cash flow per diluted share.

**Price to TTM sustainable operating cash flow per diluted share** For quarterly results, a price multiple calculated using trailing twelve months sustainable operating cash flow per diluted share.

**Prior-year current portion, capital lease obligations** As of year-end of a prior year, the principal on capital lease obligations scheduled for repayment during the ensuing year.

**Prior-year current portion, long-term debt** As of year-end of a prior year, the principal on long-term debt scheduled for repayment during the ensuing year.

**Pro-forma earnings** A measures of earnings performance that selectively excludes nonrecurring as well as some non-cash items.

**Proceeds from sale and operating leaseback transactions** The cash proceeds from the sale of assets that are simultaneously leased back under operating leases. Such transactions are, in substance, financing events. This is a cash flow adjustment item. Proceeds from sale and operating leaseback transactions may be found in reported cash provided (used) by investing activities, in reported cash provided (used) by financing activities, or, if not disclosed on the statement of cash flows, such proceeds may be found in the notes to the financial statements. On the cash flow analysis statement the account is used in computing capital expenditures, a component of investment to support operations and in computing sale and leaseback financing, a component of financing transactions.

**Proceeds from sale and operating leaseback transactions (CF Adj)** The cash proceeds from the sale of assets that are simultaneously leased back under operating leases. Such transactions are, in substance, financing events. This is a cash flow adjustment item. Proceeds from sale and operating leaseback transactions may be found in reported cash provided (used) by investing activities, in reported cash provided (used) by financing activities, or, if not disclosed on the statement of cash flows, such proceeds may be found in the notes to the financial statements. On the cash flow analysis statement the account is used in computing capital expenditures, a component of investment to support operations and in computing sale and leaseback financing, a component of financing transactions.

**Proceeds from sale and operating leaseback transactions (YTD) (CF Adj)** The quarterly, year-to-date cash proceeds from the sale of assets that are simultaneously leased back under operating leases. Such transactions are, in substance, financing events. This is a cash flow adjustment item, for which necessary data may not be available in quarterly financial statements. Proceeds from sale and operating leaseback transactions may be found in reported cash provided (used) by investing activities, in reported cash provided (used) by financing activities, or, if not disclosed on the statement of cash flows, such proceeds may be found in the notes to the financial statements. On the cash flow analysis statement the account is used in computing capital expenditures, a component of investment to support operations and in computing sale and leaseback financing, a component of financing transactions.

**Profitability** Performance measures focused on analyzing the results of income-directed activities.

**Projected benefit obligation** The actuarial present value of all benefits earned to date on a defined-benefit pension plan in which future compensation levels are incorporated into the estimation of the plan obligation.

**Projected cumulative increase (decrease) in cash and equivalents** On the forecast balance sheets this account measures the cumulative increase (decrease) in cash and equivalents that is forecast as of the end of each forecast period. The account includes any interest income (expense) on cash surplus (shortage). When added to cash and equivalents - beginning historical balance, projected cumulative increase (decrease) in cash and equivalents yields cash and equivalents - end of period, which is the forecast ending balance in cash and equivalents.

**Projected increase (decrease) in cash and equivalents** On the forecast cash flow analysis statement this account measures the projected increase (decrease) in cash and cash equivalents for one year.

**Property, plant and equipment, gross** The cost of property, plant and equipment before accumulated depreciation is subtracted. Property, plant and equipment, also known as PP&E or fixed assets, consists of the infrastructure needed to support operations, including such items as land, buildings, manufacturing equipment, and furniture and fixtures.

**Property, plant and equipment, net** The cost of property, plant and equipment less accumulated depreciation. Property, plant and equipment, also known as PP&E or fixed assets, consists of the infrastructure needed to support operations, including such items as land, buildings, manufacturing equipment, and furniture and fixtures. On the cash flow analysis statement the account is used in computing capital expenditures, a component of investment to support operations.

**Property, plant and equipment, net (in revenue days)** Property, plant and equipment measured in terms of revenue from core operations per day. Calculated as property, plant and equipment, net divided by revenue from core operations measured on a daily basis using a 365-day year.

**Property, plant and equipment, net days** Property, plant and equipment measured in terms of revenue from core operations per day. Calculated as property, plant and equipment, net divided by revenue from core operations measured on a daily basis using a 365-day year.

**Provision for doubtful receivables incl. in SG&A** A non-cash charge, which is included in selling, general and administrative expense, to write down operating receivables for that portion the collection of which is in doubt. Provision for doubtful receivables incl. in SG&A may be disclosed on the statement of cash flows or in the notes to the financial statements. On the cash flow analysis statement the account is used in computing selling, general and administrative expense (excl. depreciation & amortization), a component of cash operating expense, and in computing change in operating receivables, a component of cash from revenue.

**Provision for doubtful receivables incl. in SG&A (YTD)** A quarterly, year-to-date, non-cash charge, which is included in selling, general and administrative expense, to write down operating receivables for that portion the collection of which is in doubt. Provision for doubtful receivables incl. in SG&A may be disclosed on the statement of cash flows or in the notes to the financial statements. On the cash flow analysis statement the account is used in computing selling, general and administrative expense (excl. depreciation & amortization), a component of cash operating expense, and in computing change in operating receivables, a component of cash from revenue.

**Provision for doubtful receivables incl. in SG&A as % of revenue** A non-cash charge, which is included in selling, general and administrative expense, to write down operating receivables for that portion the collection of which is in doubt measured as a percentage of revenue from core operations. See also: [Provision for doubtful receivables incl. in SG&A](#)

**Provision for impairment of inventory incl. in cost of revenue** A non-cash charge, which is included in cost of revenue, to write down inventory that is slow-moving or obsolete. Provision for impairment of inventory incl. in cost of revenue may be disclosed on the statement of cash flows or in the notes to the financial statements. On the cash flow analysis statement the account is used in computing cost of revenue (excl. depreciation & amortization), a component of cash cost of revenue, and in computing change in inventory, a component of cash cost of revenue.

**Provision for impairment of inventory incl. in cost of revenue (YTD)** A quarterly, year-to-date, non-cash charge, which is included in cost of revenue, to write down inventory that is slow-moving or obsolete. Provision for impairment of inventory incl. in cost of revenue may be disclosed on the statement of cash flows or in the notes to the financial statements. On the cash flow analysis statement the account is used in computing cost of revenue (excl. depreciation & amortization), a component of cash cost of revenue, and in computing change in inventory, a component of cash cost of revenue.

**Provision for impairment of inventory incl. in cost of revenue as % of revenue** A non-cash charge, which is included in cost of revenue, to write down inventory that is slow-moving or obsolete measured as a percentage of revenue from core operations. See also: [Provision for impairment of inventory incl. in cost of revenue](#)

**Purchase of Common and Preferred Stock** Cash used in the repurchase of a company's own stock as carried on the company-reported indirect method statement of cash flows.

**Purchased in-process research & development** An unfinished research and development project that is acquired from another firm, either by direct purchase or through an acquisition. In an acquisition, a portion of the purchase price is attributed to purchased in-process research and development based on a determination of its fair value. On the cash flow analysis statement the account is used in computing other nonrecurring cash receipts (disbursements), a component of investment of sustainable free cash flow.

**Put option** A contract that gives its holder the right to sell an asset, typically a financial instrument, at a specified price through a specified date.

## Q

**Q. Bal Sheets** Abbreviation for Condensed Quarterly Balance Sheet.

**Q. CF Drivers** Abbreviation for Quarterly Cash Flow Drivers Report.

**Q. CFA Stmts** Abbreviation for Condensed Quarterly Cash Flow Analysis Statement.

**Q. Performance** Abbreviation for Quarterly Financial Performance Report.

**Q. Stmts of Inc** Abbreviation for Condensed Quarterly Statement of Income.

**Qualified stock option** Option to purchase stock that provides the option holder with the right to postpone payment of any income taxes due on exercise of the option to the date on which the purchased stock is ultimately sold. The company issuing the option receives no tax deduction upon either the issue or exercise of the stock option.

**Quarter ending templates** Standardized and custom Cash Flow Analytics, LLC financial report formats designed to use quarterly data for individual quarters.

**Quarterly Cash Flow Drivers Report** A Cash Flow Analytics, LLC report designed to highlight the factors driving core operating cash flow, sustainable operating cash flow, and sustainable free cash flow higher or lower over a quarter so that sustainability of those measures can better be assessed and expectations can be formed regarding a firm's ability to continue generating them.

**Quarterly Financial Performance Report** A Cash Flow Analytics, LLC quarterly report designed to highlight key measures of financial performance separated into the categories of growth, profitability, activity, cash-flow profile, liquidity, leverage, coverage, dilution and valuation.

**Quarterly four quarters ending templates** Standardized and custom Cash Flow Analytics, LLC financial report formats designed to use quarterly data for annual and interim periods covering four full quarters.

**Quarterly YTD ending templates** Standardized and custom Cash Flow Analytics, LLC financial report formats designed to use quarterly data for year-to-date interim periods.

**Quick assets** Cash and assets that can be quickly converted to cash. It consists of cash and cash equivalents plus short-term investments and trading securities, plus operating receivables, tax refund receivable and current other notes receivable.

**Quick ratio (Quick assets to current and operating working capital liabilities)** The extent to which quick assets cover current and operating working capital liabilities.

## R

**R&D %** Research and development expense as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations spent on research and development during a reporting period. See also: [R&D to revenue %](#)

**R&D expense / Revenue from core operations** Research and development expense as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations spent on research and development during a reporting period.

**R&D expense ratio** Research and development expense as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations spent on research and development during a reporting period. See also: [R&D expense / Revenue from core operations](#)

**R&D to revenue %** Research and development expense as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations spent on research and development during a reporting period. See also: [R&D %](#)

**Real Estate Investment Trust (REIT)** An entity that may invest in real estate or mortgages on real estate and whose earnings are exempt from federal taxation. REITs must meet certain strict requirements contained in the Internal Revenue Code including distribution of at least 90% of their earnings to shareholders to avoid taxation of profit at the corporate level.

**Realized stock option tax benefits** The reduction in tax cash payments, or the recovery of previous tax payments, that result from the deduction of option expense in the tax return.

**Receivables - related financing** Proceeds from the sale or securitization of accounts or notes receivable.

**Receivables days** The number of days it would take to collect the ending balance in operating receivables at the year's average rate of revenue per day. Calculated by dividing 365 by receivables turnover. See also: [Operating receivables days](#)

**Receivables turnover** The number of times during a year that operating receivables are collected and replaced with new revenue transactions. Calculated by dividing revenue by ending operating receivables.

**Reclassification adjustment** An adjustment to reported operating cash flow that moves a cash flow item from one classification to another, such as from operating cash flow to investing cash flow or from financing cash flow to operating cash flow. An example would be the reclassification of a tax benefit from stock options from operating cash flow to financing cash flow. The goal of these reclassifications is to produce a more sustainable measure of operating cash flow.

**Recognized stock option tax benefits** Option tax benefits that are recognized by additions to paid-in capital. These recognized benefits could equal, exceed, or fall short of the realized option tax benefits. A deferred tax asset is normally recorded for recognized benefits in excess of realized benefits. Alternatively, the deferred tax asset is reduced when the previously recognized excess benefits are realized.

**Relative Strength Index (RSI)** Developed by J. Welles Wilder and introduced in his 1978 book, *New Concepts in Technical Trading Systems*, the Relative Strength Index (RSI) is an extremely useful and popular momentum oscillator. The RSI compares the magnitude of a stock's recent gains to the magnitude of its recent losses and turns that information into a number that ranges from 0 to 100. It takes a single parameter, the number of time periods to use in the calculation. In his book, Wilder recommends using 14 periods.

Wilder recommended using 70 and 30 as overbought and oversold levels respectively. Generally, if the RSI rises above 30 it is considered bullish for the underlying stock. Conversely, if the RSI falls below 70, it is a bearish signal. Some traders identify the long-term trend and then use extreme readings for entry points. If the long-term trend is bullish, then oversold readings could mark potential entry points.

Buy and sell signals can also be generated by looking for positive and negative divergences between the RSI and the underlying stock. For example, consider a falling stock whose RSI rises from a low point of (for example) 15 back up to say, 55. Because of how the RSI is constructed, the underlying stock will often reverse its direction soon after such a divergence. As in that example, divergences that occur after an overbought or oversold reading usually provide more reliable signals.

**Renewable sources of cash flow** Cash that is generated from replenishable, non-depleting sources. The purchase and sale of inventory at a profit generates a renewable source of cash. The activity can be repeated. However, the purchase and sale of an investment generates an increment to cash only to the extent that the investment can be sold at a gain. Once the investment is sold, the ability to generate cash flow from the purchase and sale of an additional investment depends on the investment's uncertain change in price. Generally, when speaking of non-financial firms, such investing cash flow is not considered to be renewable. Similarly, cash provided by borrowed money, a financing activity, is not derived from a renewable source. Lenders may decide to stop loaning funds and funds provided must be repaid. See also: [Sustainable free cash flow](#)

**Rental and royalty income** Recurring income received for the use of tangible and intangible corporate assets. On the cash flow analysis statement the account is used in computing other recurring cash receipts (disbursements), a component of cash flow available for debt service.

**Replacement capital expenditures** Capital expenditures required to replace productive capacity consumed during a reporting period.

**Reported capital expenditures** Reported expenditures made in the purchase of long-term productive assets such as property, plant and equipment. It is measured net of cash received for related asset dispositions.

**Reported capital expenditures to revenue%** Reported capital expenditures measured as a percentage of revenue from core operations.

**Reported cash paid for acquisitions** Cash disbursements, net of cash received, made for acquisitions during a period as reported in the investing section of a company-prepared cash flow statement. The amount is used as an indicator for potential disruptions to reported cash provided (used) by operating activities resulting from acquisitions. See also: [Cash paid for acquisitions](#)

**Reported cash provided (used) by financing activities** Cash flow from financing activities computed in accordance with generally accepted accounting principles as reported by the company. See also: [Cash provided or used by financing activities](#)

**Reported cash provided (used) by investing activities** Cash flow from investing activities computed in accordance with generally accepted accounting principles as reported by the company. See also: [Cash provided or used by investing activities](#)

**Reported cash provided (used) by operating activities** Cash flow from operating activities computed in accordance with generally accepted accounting principles as reported by the company. On the cash flow drivers report the account is used in computing ratios measuring cash-flow profile. See also: [GAAP operating cash flow](#); [Reported operating cash flow](#)

**Reported cash provided (used) by operating activities (YTD)** Quarterly, year-to-date cash flow from operating activities computed in accordance with generally accepted accounting principles as reported by the company. On the cash flow drivers report the account is used in computing ratios measuring cash-flow profile. See also: [GAAP operating cash flow](#); [Reported operating cash flow](#)

**Reported change in inventory** The change in inventory on the statement of cash flows as reported by the company. The account is used on the cash flow drivers report to measure the impact of acquisitions and other transactions, such as translation effects due to changes in currency exchange rates, on reported cash provided (used) by operating activities.

**Reported change in inventory (YTD)** The quarterly, year-to-date change in inventory on the statement of cash flows as reported by the company. The account is used on the cash flow drivers report to measure the impact of acquisitions and other transactions, such as translation effects due to changes in currency exchange rates, on reported cash provided (used) by operating activities.

**Reported change in payables and accruals** The change in payables and accruals on the statement of cash flows as reported by the company. The account is used on the cash flow drivers report to measure the impact of acquisitions and other transactions, such as translation effects due to changes in currency exchange rates, on reported cash provided (used) by operating activities.

**Reported change in payables and accruals (YTD)** The quarterly, year-to-date change in payables and accruals on the statement of cash flows as reported by the company. The account is used on the cash flow drivers report to measure the impact of acquisitions and other transactions, such as translation effects due to changes in currency exchange rates, on reported cash provided (used) by operating activities.

**Reported change in receivables** The change in receivables on the statement of cash flows as reported by the company. The account is used on the cash flow drivers report to measure the impact of acquisitions and other transactions, such as translation effects due to changes in currency exchange rates, on reported cash provided (used) by operating activities.

**Reported change in receivables (YTD)** The quarterly, year-to-date change in receivables on the statement of cash flows as reported by the company. The account is used on the cash flow drivers report to measure the impact of acquisitions and other transactions, such as translation effects due to changes in currency exchange rates, on reported cash provided (used) by operating activities.

**Reported EQI** The as-reported version of the Earnings Quality Indicator. See also: [EQI™ Earnings Quality Indicator™](#)

**Reported Free Cash Flow** Cash flow available for common shareholders that can be used for such discretionary purposes as stock buybacks and dividends without affecting the firm's ability to grow and generate more. Calculated as reported operating cash flow less preferred dividends and reported capital expenditures. See also: [Free cash flow](#)

**Reported free cash growth profile** AS REPORTED. The capacity of a firm to generate sustainable free cash flow as it grows, reflecting a combination of its core operating growth profile, income taxes paid, capital expenditures and other investments needed to support operations, expressed as a percentage of revenue. It is measured as operating cushion % less operating working capital to revenue % less reported income taxes paid to revenue %, and less reported capital expenditures to revenue %. It is forward looking and reports the amount of sustainable free cash flow that can be expected for any measured amount of growth in revenue under the assumption that a firm's current mix of operating cushion, operating working capital, income taxes paid to revenue % and capital expenditures to revenue % remain unchanged. A firm with a positive free cash growth profile™ can grow operations and produce increasing amounts of sustainable free cash flow. A firm with a negative free cash growth profile™ will require other sources of cash to support revenue growth. See also: [Free cash flow](#); [Free cash growth profile™](#)

**Reported free cash margin** The percentage of revenue from core operations that results in reported free cash flow. Reported free cash flow is reported operating cash flow less preferred dividends and capital expenditures.

**Reported Income (loss) from contg ops per diluted share** The company reported amount of earnings per diluted share on continuing operations. Continuing operations excludes discontinued operations, extraordinary items and the cumulative effects of changes in accounting principle.

**Reported income from continuing operations** After-tax net income before discontinued operations and extraordinary items, as reported by the company.

**Reported income taxes paid** Cash disbursements for income taxes paid during the period. See also: [Income taxes \(paid\) recovered on continuing operations](#)

**Reported income taxes paid to revenue%** Cash disbursements for income taxes paid during the period divided by revenue. See also: [Income taxes \(paid\) recovered on continuing operations](#); [Reported income taxes paid](#)

**Reported incremental net margin** The incremental addition to reported net income contributed by an increase in revenue from core operations. It is measured as the change in reported net income divided by the change in revenue from core operations.

**Reported incremental net margin - continuing operations** The incremental addition to reported net income from continuing operations contributed by an increase in revenue from core operations. It is measured as the change in reported net income from continuing operations divided by the change in revenue from core operations.

**Reported interest paid** Cash disbursements for interest paid during the period, net of interest capitalized, as reported by the company.

**Reported net capital expenditures (YTD)** The quarterly, year-to-date net capital expenditures on the statement of cash flows as reported by the company. The account is used on the cash flow drivers report to measure the impact of acquisitions and other transactions, such as translation effects due to changes in currency exchange rates, on reported cash provided (used) by operating activities.

**Reported net capital expenditures, source (use)** Net capital expenditures on the statement of cash flows as reported by the company. The account is used on the cash flow drivers report to measure the impact of acquisitions and other transactions, such as translation effects due to changes in currency exchange rates, on reported cash provided (used) by operating activities.

**Reported net margin** Reported net income to revenue from core operations. The percentage of revenue from core operations that results in reported net income.

**Reported net margin - continuing operations** Reported net income from continuing operations to revenue from core operations. The percentage of revenue from core operations that results in reported net income from continuing operations.

**Reported operating cash flow** Cash flow from operating activities computed in accordance with generally accepted accounting principles as reported by the company. See also: [GAAP operating cash flow](#); [Reported cash provided \(used\) by operating activities](#)

**Reported operating cash margin** The percentage of revenue from core operations that results in reported operating cash flow without adjustment for nonrecurring or nonoperating items.

**Required principal payments on long-term debt and capital lease obligations** The current portion of long-term debt and capital lease obligations at the beginning of a year that is scheduled for payment during an ensuing year.

**Research and development expense** Expenditures incurred in the search for new knowledge with the expectation that it will be useful in the development of a new product or service or in the translation of research findings into a plan or design for a new product or service, whether intended for sale or use. Depreciation and amortization included in research and development expense is typically not disclosed and accordingly, research and development is measured after depreciation and amortization. On the cash flow analysis statement the account is used in computing research and development expense, a component of cash operating expense. See also: [R&D %](#)

**Research and development expense %** Research and development expense as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations spent on research and development during a reporting period. See also: [R&D %](#)

**Restricted Cash** Cash set aside for a particular purpose either through a legal restriction related to a third party or through a more informal internal company restriction.

**Restructuring and merger-related charge (reversal)** The estimated expense needed to effect a restructuring and/or the assimilation of an acquired entity. A reversal is a negative expense amount, effectively an increase to income, resulting from the reversal of a restructuring and merger-related charge that was previously accrued through a reduction in the restructuring and merger-related reserve. On the cash flow analysis statement the account is used in computing other nonrecurring cash receipts (disbursements), a component of investment of sustainable free cash flow.

**Restructuring and merger-related reserve** A liability reflecting both restructuring costs and costs related to the assimilation of an acquired entity that were previously accrued but that are to be paid or realized in future periods. On the cash flow analysis statement the account is used in computing other nonrecurring cash receipts (disbursements), a component of investment of sustainable free cash flow.

**Restructuring charge** Costs associated with restructuring activities, including the consolidation and/or relocation of operations or the disposition or abandonment of operations or productive assets. Such charges may be incurred in connection with a business combination, a change in an enterprise's strategic plan, or a managerial response to declines in demand, increasing costs, or other environmental factors.

**Restructuring reserve** A liability reflecting restructuring costs that were previously accrued but that are to be paid or realized in future periods.

**Retained earnings (deficit)** An entity's accumulated earnings (losses) less dividends and other distributions. On the cash flow analysis statement, changes in the account, other than those caused by net income and dividends, are used in computing various components of financing transactions. Inc (Dec) in retained earnings for stock repurchases and conversions is used in computing common equity financing. Inc (Dec) in retained earnings for other equity transactions is used in computing other equity-related financing. Other increase (decrease) in retained earnings is used in computing financing transactions.

**Retained earnings - beginning balance** Retained earnings at the beginning of the current reporting period.

**Retained earnings - ending balance** Retained earnings at the end of the current reporting period.

**Rev. Days** Abbreviation for Revenue Days Balance Sheet.

**Revenue backlog to revenue** The proportion of revenue from core operations for the period covered by outstanding orders. It is calculated by dividing the outstanding orders by revenue from core operations.

**Revenue Days Balance Sheet** A Cash Flow Analytics, LLC report designed to report all line items of the balance sheet measured in terms of revenue days, the number of days it would take to recover the item through revenue from core operations measured on a per-day basis using a 365-day year.

**Revenue from core operations** Revenue generated by core or central operations and excludes nonrecurring revenue or revenue or other income generated by non-core operations. Financial revenue, including interest income and revenue generated by a finance subsidiary, is also excluded. On the cash flow analysis statement the account is used in computing revenue from core operations, a component of cash from revenue.

**Revenue from core operations % increase over previous year** The percentage change in revenue from core operations from one period to the next. See also: [Revenue from core operations growth](#); [Revenue growth rate](#)

**Revenue from core operations growth** The percentage change in revenue from core operations from one period to the next. See also: [Revenue from core operations % increase over previous year](#); [Revenue growth rate](#)

**Revenue from financial services operations** Revenue of a recurring nature generated by a non-core financial services subsidiary. It may be comprised of separately identified interest income or other financial services related fees such as commitment fees, commissions, or other fees for services provided. On the cash flow analysis statement the account is used in computing other recurring cash receipts (disbursements), a component of cash flow available for debt service.

**Revenue from noncore operations - nonrecurring** A nonrecurring source of revenue arising from outside core or central operations. An example would be a short-lived stream of license fee revenue that is earned by a firm whose core revenue is generated by product sales.

**Revenue from noncore operations - recurring** A revenue stream that is not considered to be from core or central operations that is, nonetheless, considered to be generated by a recurring source. An example would be a separate, recurring stream of license fee revenue that is earned by a firm whose core revenue is generated by product sales. On the cash flow analysis statement the account is used in computing other recurring cash receipts (disbursements), a component sustainable operating cash flow.

**Revenue growth rate** The percentage change in revenue from core operations from one period to the next. See also: [Revenue from core operations growth](#)

**Revenue growth rate (over same quarter previous year)** The percentage change in revenue from core operations from the same quarter the previous year and the current quarter. See also: [Revenue from core operations growth](#)

**Revenue per employee** The amount of revenue from core operations per employee. It is calculated by dividing revenue from core operations by the total number of employees at a firm.

**Reversing temporary differences** The inclusion of an item of revenue, gain, expense, or loss in the tax return that has earlier been included in book earnings. Alternatively, the inclusion of a revenue, gain, expense, or loss in book earnings that has earlier been included in the tax return.

## S

**Sale and leaseback** A sale followed by the immediate leaseback of the asset sold by its previous owner.

**Sale and leaseback financing** The proceeds from the sale of an asset that is simultaneously leased back on an operating lease. Proceeds from assets sold and leased back under capital leases are included with long-term debt and capital lease financing.

**Sale of Common and Preferred Stock** The proceeds received by the company for issuing common or preferred stock.

**Sale of Investments** Cash proceeds provided from the sale of investments as carried on the company-reported indirect method statement of cash flows.

**Sale of PP&E and Investments - (Gain) Loss** Any realized gain or loss arising from the sale of PP&E or investments. It is measured as the difference between the net proceeds from sale and the asset's balance sheet carrying value on the date of sale.

**Sale of Property, Plant & Equipment** The proceeds from sale of PP&E, including any gain or loss on sale.

**Sarbanes-Oxley Act** An Act of Congress signed into law on July 30, 2002 that tightened the oversight of firms that audit public companies, added criminal penalties for earnings management activities and took steps generally to improve company internal controls and corporate governance.

**Score Information (Four Quarters Ending)** The Cash Flow Analytics Score™ and Earnings Quality Score™ measured for a four-quarters ending reporting period.

**Seasonal factors** Natural ebbs and flows in business activity occurring annually that are caused by changes in the seasons.

**Securitization interest in accounts and notes receivable** The portion of accounts or notes receivable that has been sold through a securitization arrangement for the purpose of generating cash proceeds.

**Securitization interest in customer-related accounts and notes receivable (CF Adj)** Net proceeds received from securitization interests granted on outstanding customer-related accounts receivable and notes receivable. This is a cash flow adjustment item. The amount is disclosed in the notes to the financial statements. On the balance sheet, securitization interests serve to gross up operating receivables and appear as a component of short-term debt. On the cash flow analysis statement the account is used in computing change in operating receivables, a component of cash from revenue, and in computing receivables-related financing, a component of financing transactions.

**Securitized accounts receivable** A financing arrangement where accounts receivable are pooled and an undivided interest in the receivables pool, which represents a claim on the entire pool of receivables, is sold, effectively creating a security that is backed by the receivables. It is accounted for as a sale of accounts receivable.

**Selling, general and administrative expense** Expenses incurred in marketing and promoting a company's core products and services plus expenses incurred in administering core operations. Depreciation and amortization expense, if any, are included. On the cash flow analysis statement the account is used in computing selling, general and administrative expense (excl. depreciation & amortization), a component of cash operating expense.

**Selling, general and administrative expense (excl. depreciation & amortization)** Expenses incurred in marketing and promoting a company's core products and services plus expenses incurred in administering core operations, all measured before the non-cash expenses of depreciation and amortization of assets used in these activities and before other non-cash expenses such as non-cash compensation expense and the non-cash provision for doubtful receivables. See also: **SG&A (excl. depreciation and amortization) %**

**Selling, general and administrative expense (excl. depreciation & amortization) %** Selling, general and administrative expense (excluding depreciation & amortization) as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations spent on selling, general and administrative expense during a reporting period, excluding the effects of depreciation and amortization expense. See also: **SG&A (excl. depreciation and amortization) %**

**Senior borrowings** Total borrowings, including both short-term and long-term amounts, excluding any subordinated borrowings.

**Senior borrowings (Borrowings - subordinated debt)** The principal amount of borrowings that have a prior claim to other subordinated obligations in the event of liquidation of corporate assets. It is calculated by subtracting from total short-term and long-term borrowings the amount of noncurrent subordinated debt.

**Senior borrowings / Shareholders' equity** A measure of financial leverage calculated by dividing senior borrowings by total shareholders' equity. It measures the amount of senior borrowings for every dollar of shareholders' equity. Higher amounts denote higher financial leverage.

**Senior borrowings / Tangible net worth** A measure of financial leverage calculated by dividing senior borrowings by tangible net worth. It measures the amount of senior borrowings for every dollar of tangible net worth. Higher amounts denote higher financial leverage.

**SG&A (excl. depreciation and amortization) %** Selling, general and administrative expense (excl. depreciation & amortization) as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations spent on selling, general and administrative expense, but excluding non-cash depreciation and amortization expense.

**SG&A (incl. depreciation and amortization) to revenue %** Expenses incurred in marketing and promoting a company's core products and services plus expenses incurred in administering core operations. Depreciation and amortization expense, if any, are included. On the cash flow analysis statement the account is used in computing selling, general and administrative expense (excl. depreciation & amortization), a component of cash operating expense.

**SG&A expense / Revenue from core operations** Selling, general and administrative expense as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations spent on selling, general and administrative expense during a reporting period. When the ratio is expressed in this manner, SG&A expense includes the effects of depreciation and amortization expense.

**SG&A expense ratio** Selling, general and administrative expense as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations spent on selling, general and administrative expense during a reporting period. When the ratio is expressed in this manner, SG&A expense includes the effects of depreciation and amortization expense. See also: [SG&A expense / Revenue from core operations](#)

**SG&A to revenue %** Selling, general and administrative expense as a percentage of revenue from core operations. In effect, the proportion of revenue from core operations spent on selling, general and administrative expense during a reporting period. When the ratio is expressed in this manner, SG&A expense includes the effects of depreciation and amortization expense.

**Shareholders' equity** All ownership claims as reported on the balance sheet, including common equity and preferred equity. The measure includes common stock, preferred stock, additional paid-in capital, other shareholders' equity, retained earnings (deficit), accumulated other comprehensive income (loss) and is net stock held in (treasury). Mezzanine interests, if any, are excluded.

**Shareholders' equity growth** The percentage change in shareholders' equity from one period to the next.

**Short-term borrowings** The principal on debt obligations, including notes payable and other short-term obligations, that are classified as current liabilities, typically due within one year.

**Short-term debt** The balance sheet amount of borrowings that are due within one year or the operating cycle, whichever is longer. The balance consists of commercial paper, financing-related notes payable, other financing-related current liabilities, overdrafts payable and securitization interests outstanding on accounts receivable.

**Short-term debt financing** Debt financing that is due within one year or the operating cycle, whichever is longer. It consists primarily of commercial paper and financing-related notes payable but may also include financing provided through overdrafts payable and other financing-related current liabilities.

**Short-Term Investments - Change** A source of use of cash arising from the sale or purchase of short-term investments as carried on the company-reported indirect method statement of cash flows.

**Short-term investments and trading securities** Marketable securities and other short-term investments including those held for trading purposes. Included as part of investment of sustainable free cash flow.

**Short-term investments days** Short-term investments measured in terms of revenue from core operations per day. Calculated as short-term investments divided by revenue from core operations measured on a daily basis using a 365-day year.

**Short-term investments, excl. trading** Marketable securities and other short-term investments, excluding those held for trading purposes. On the cash flow analysis statement the account is used in computing short-term investments and trading securities, a component of investment of sustainable free cash flow.

**Simple Moving Average (SMA)** A Simple Moving Average (SMA) finds the average price of a security over a set number of periods. The calculation of the SMA is like the name suggests, simple. The mean of the underlying financial instrument is calculated over a period of time. Prices during this period are added and then divided by the total number of time periods. Every bar is thus given the same weighting.

**Software development costs** Costs incurred in developing new software applications. Software development costs incurred in developing software for licensing to customers are capitalized once technological feasibility is reached.

**Special charges** Nonrecurring items of expense or loss that are not considered to be unusual and accordingly are not classified as extraordinary items. Examples include purchased in-process research and development, restructuring and merger-related charge, litigation charge, impairment charge on investments, impairment charge on PP&E, and impairment charge on goodwill and intangibles.

**Special purpose entity (SPE)** An entity established by a corporate sponsor to carry out a limited business activity on behalf of the sponsor. The sponsor need not consolidate the SPE provided the sponsor is not a controlling owner and the entity's equity is sufficient to absorb any expected losses that may be generated. A SPE is also known as a Variable Interest Entity (VIE).

**Start-up stage** The opening period in a company's life cycle during which operating losses are often reported and operating cash flow is consumed.

**Statement of Income** A Cash Flow Analytics, LLC report designed to show the results of profit-directed activities over a reporting period with a particular emphasis on sources of sustainable income. The statement highlights the results of core operations, including revenue from core operations, gross profit from core operations and operating profit from core operations, and the results of non-core operations, including other income (expense) recurring and other income (expense) nonrecurring.

**Statement of shareholders' equity** A financial statement which details activity in various shareholders' equity accounts during a reporting period. Of particular interest for purposes of data entry for Cash Flow Analytics, LLC reports is activity in retained earnings for a reporting period, including dividends declared on preferred stock, dividends declared on common stock, increases or decreases in retained earnings for stock repurchases or conversions and increases or decreases in retained earnings for other equity transactions.

**Statements of income and dividends forecast input** Input data for Cash Flow Analytics, LLC forecast reports derived from the statements of income and shareholders' equity.

**Statements of Standard Accounting Practice (SSAP)** Statements issued by the United Kingdom's Accounting Standards Committee. These standards were adopted by the Accounting Standards Board, which is the successor to the Accounting Standards Committee.

**Statutory income tax rates** The income tax rates for different levels of taxable income found in the applicable income tax law.

**Stmts of Inc.** Abbreviation for Statement of Income.

**Stock held in (treasury)** The dollar amount of common or preferred shares that have been issued and then repurchased and held by the issuing firm. It is a deduction from shareholders' equity. On the cash flow analysis statement the account is used in computing treasury stock transactions, a component of financing transactions.

**Stock held in treasury** The dollar amount of common or preferred shares that have been issued and then repurchased and held by the issuing firm. It is a deduction from shareholders' equity. On input assumptions for forecast analysis, stock held in treasury is entered without brackets.

**Stock option** A contract that gives its holder the right to buy (call option) or sell (put option) an interest in stock at a specified price through a specified date.

**Stock warrant** A contract, similar to an option, that gives its holder the right to buy stock at a specified price through a specified date. Warrants may be granted with the issue of other securities such as bonds or preferred stock, or may be granted with the issue of common stock, giving its holder the right to purchase additional shares. When granted as a form of compensation, stock warrants are more likely to be referred to as stock options.

**Stop-and-Reversal (SAR)** See also: [Parabolic Stop-and-Reversal \(SAR\)](#)

**Subordinated and convertible debt financing** Funds raised through debentures and other long-term debt that is subordinated to other senior sources of financing and through debt securities that are convertible into common equity.

**Subordinated debt financing** Funds raised through debentures and other long-term debt that is subordinated to other senior sources of financing.

**Subscriber acquisition costs** See also: [Customer acquisition costs](#)

**(Subscription notes receivable)** Amounts due for shares issued. It is reported as a reduction in shareholders' equity and not as an asset. On the cash flow analysis statement the account is used in computing common equity financing, a component of financing transactions.

**Supplemental data** Sources of data for input to Cash Flow Analytics, LLC reports that come primarily from various sources in company prepared financial statements, including the statement of cash flows and the footnotes to the financial statements.

**Sustainable cash flow worksheet** A worksheet that begins with reported operating cash flow and then adds and subtracts three different layers of nonrecurring operating cash flow items. Additions and subtractions are also made for reclassified operating cash flow items. Income tax adjustments are made where appropriate. Three different measures of sustainable cash flow are produced after the three different layers of adjustments have been recorded.

**Sustainable earnings** An earnings measure that excludes known items of nonrecurring revenue, gain, expense and loss. It is calculated as operating profit from core operations + operating profit from financial services operations + interest income + dividend income + rental and royalty income + equity method income (loss) - interest expense + minority interest in (income) loss + other recurring income (expense) - income tax expense at the effective tax rate. While adjusted for known nonrecurring items, sustainable earnings may still include non-obvious and unknown effects of overly aggressive or increasingly conservative accounting practices. The Earnings Quality Indicator™ or EQI™ is an effective tool for surfacing developing operational problems and aggressive or conservative accounting practices.

**Sustainable earnings growth** The percentage change in sustainable earnings from one period to the next. See also: [Sustainable earnings](#)

**Sustainable earnings PEG** The PEG ratio, or PE to growth, calculated using sustainable earnings per diluted share and the 3-year historical compound annual growth rate in sustainable earnings.

**Sustainable earnings per diluted share** Sustainable earnings divided by the weighted average number of diluted common shares outstanding during the reporting period.

**Sustainable earnings return on average equity** The percent earnings return generated by average total shareholders' equity during a period. Calculated by dividing sustainable earnings by average total shareholders' equity. Sustainable earnings are adjusted to exclude known items of nonrecurring revenue, gain, expense and loss.

**Sustainable earnings yield** Sustainable earnings per share divided by the closing market price. It measures the percentage yield in terms of sustainable earnings on an investment at the closing market price. See also: [Sustainable earnings](#)

**Sustainable financial performance** See also: [Sustainable free cash flow](#)

**Sustainable free cash flow** Sustainable cash flow available for common shareholders that can be used for such discretionary purposes as stock buybacks and dividends without affecting the firm's ability to grow and generate more. Calculated as sustainable operating cash flow less preferred dividends, net capital expenditures and other long-term assets needed to support operations. See also: [Sustainable operating cash flow](#)

**Sustainable free cash flow growth rate** The percentage change in sustainable free cash flow from one period to the next.

**Sustainable free cash flow growth rate (over same quarter previous year)** The percentage change in sustainable free cash flow between the same quarter of the previous year and the current quarter.

**Sustainable free cash flow PEG** The PEG ratio, or PE to growth, calculated using sustainable free cash flow per diluted share and the 3-year historical compound annual growth rate in sustainable free cash flow.

**Sustainable free cash flow per diluted share** Sustainable free cash flow divided by the weighted average number of diluted common shares outstanding during the reporting period.

**Sustainable free cash flow yield** Sustainable free cash flow per share divided by the closing market price. It measures the percentage yield in terms of sustainable free cash flow on an investment at the closing market price. See also: [Sustainable free cash flow](#)

**Sustainable operating cash flow** Cash flow from operations after interest charges and income taxes that is derived from renewable sources, supported by profitable operations, and is calculated before capital expenditures and other long-term assets needed to support operations. Sustainable operating cash flow will typically differ from reported operating cash flow due to various nonoperating and/or nonrecurring items. The Cash Flow Analysis Statement adjusts for most of these items with entry of company-reported data from the statements of income and balance sheet. However, certain adjustments require additional manual data input. These adjustment items, found on the Statement of Income and Related Data Input spreadsheet, are labeled with an asterisk (\*) and the letters (CF Adj). Note that with quarterly financial statements, data necessary for manual input are typically not available. See also: [CF Adj](#); [Cash flow adjustment item](#)

**Sustainable operating cash flow (includes interest income (expense) on cash surplus (shortage))** Cash flow from operations after interest charges and income taxes that is derived from renewable sources, supported by profitable operations, and is calculated before capital expenditures and other long-term assets needed to support operations. Sustainable operating cash flow will typically differ from reported operating cash flow due to various nonoperating and/or nonrecurring items. The Cash Flow Analysis Statement adjusts for most of these items with entry of company-reported data from the statements of income and balance sheet. However, certain adjustments require additional manual data input. These adjustment items, found on the Statement of Income and Related Data Input spreadsheet, are labeled with an asterisk (\*) and the letters (CF Adj). Note that with quarterly financial statements, data necessary for manual input are typically not available. Note that this forecast measure of sustainable operating cash flow includes interest income (expense) on projected cash surpluses or shortages.

**Sustainable operating cash flow / Dividends on preferred** A coverage ratio that measures the number of times that sustainable operating cash flow, which is cash flow available for the payment of dividends, covers dividends on preferred stock.

**Sustainable operating cash flow growth rate** The percentage change in sustainable operating cash flow from one period to the next.

**Sustainable operating cash flow growth rate (over same quarter previous year)** The percentage change in sustainable operating cash flow between the same quarter of the previous year and the current quarter.

**Sustainable operating cash flow PEG** The PEG ratio, or PE to growth, calculated using sustainable operating cash flow per diluted share and the 3-year historical compound annual growth rate in sustainable operating cash flow.

**Sustainable operating cash flow per diluted share** Sustainable operating cash flow divided by the weighted average number of diluted common shares outstanding during the reporting period.

**Sustainable operating cash flow yield** Sustainable operating cash flow per share divided by the closing market price. It measures the percentage yield in terms of sustainable operating cash flow on an investment at the closing market price. See also: [Sustainable operating cash flow](#)

**Sustainable other income (expense)** Items of income or (expense) that are from sources other than core operations, consisting of interest income, dividend income, rental and royalty income, equity method income (loss), interest expense, minority interest in (income) loss, and other income (expense) - recurring. These source of income or (expense) are considered to be sustainable, though their growth may not be at a rate that is commensurate with the rate of growth in core operations.

## T

**Tangible net worth** Tangible assets less total liabilities. It is calculated as shareholders' equity less goodwill and acquisition-related intangibles, net.

**Tax benefits from stock options exercised** Realized tax savings resulting from the exercise of nonqualified options by company officers and employees. The tax savings arise due to a tax deduction received for the excess of the market price over the exercise price for any nonqualified options exercised. This is a cash flow adjustment item. It is disclosed on the statement of cash flows. Such benefits are reported as operating cash flow under GAAP. On the cash flow analysis statement the account is used in computing common equity financing, a component of financing transactions. In those cases where there is net cash paid in the buyback of shares for options, the account is subtracted from net cash paid in buyback of shares for options, a component of other recurring cash receipts (disbursements) and cash flow available for debt service.

**Tax benefits from stock options exercised (CF Adj)** Realized tax savings resulting from the exercise of nonqualified options by company officers and employees. The tax savings arise due to a tax deduction received for the excess of the market price over the exercise price for any nonqualified options exercised. This is a cash flow adjustment item. It is disclosed on the statement of cash flows. Such benefits are reported as operating cash flow under GAAP. On the cash flow analysis statement the account is used in computing common equity financing, a component of financing transactions. In those cases where there is net cash paid in the buyback of shares for options, the account is subtracted from net cash paid in buyback of shares for options, a component of other recurring cash receipts (disbursements) and cash flow available for debt service.

**Tax benefits from stock options exercised (YTD) (CF Adj)** Quarterly, year-to-date realized tax savings resulting from the exercise of nonqualified options by company officers and employees. The tax savings arise due to a tax deduction received for the excess of the market price over the exercise price for any nonqualified options exercised. Such benefits are reported as operating cash flow under GAAP. On the cash flow analysis statement the account is used in computing common equity financing, a component of financing transactions. For quarterly financial statement, sufficient option-related data is typically unavailable to permit calculation of net cash paid in buyback of shares for options. Accordingly, tax benefits from stock options exercised (YTD) are not used in the calculation of net cash paid in buyback of shares for options for quarterly financials.

**Tax books** A shorthand reference to the tax return income statement.

**Tax cash impact of change in deferred tax assets to income before income taxes** The measured effects of the change in deferred tax assets to income before income taxes on the change in deferred tax assets from one period to the next.

**Tax cash impact of change in deferred tax liabilities to income before income taxes** The measured effects of the change in deferred tax liabilities to income before income taxes on the change in deferred tax liabilities from one period to the next.

**Tax cash impact of change in effective tax rate on income tax (expense) benefit** The measured effects of the change in the effective tax rate on the change in income tax (expense) benefit from one period to the next.

**Tax cash impact of change in income taxes payable to income before income taxes** The measured effects of the change in income taxes payable to income before income taxes on the change in tax refund receivable from one period to the next.

**Tax cash impact of change in tax refund receivable to income before income taxes** The measured effects of the change in tax refund receivable to income before income taxes on the change in tax refund receivable from one period to the next.

**Tax cash impact of deferred tax assets** The measured effects of growth in income before income taxes and changes in the percentage of deferred tax assets to income before income taxes on the change in deferred tax assets from one period to the next.

**Tax cash impact of deferred tax liabilities** The measured effects of growth in income before income taxes and changes in the percentage of deferred tax liabilities to income before income taxes on the change in deferred tax liabilities from one period to the next.

**Tax cash impact of growth on deferred tax assets** The measured effects of growth in income before income taxes on the change in deferred tax assets from one period to the next.

**Tax cash impact of growth on deferred tax liabilities** The measured effects of growth in income before income taxes on the change in deferred tax liabilities from one period to the next.

**Tax cash impact of growth on income tax (expense) benefit** The measured effects of growth in income before income taxes on the change in income tax (expense) benefit from one period to the next.

**Tax cash impact of growth on income taxes payable** The measured effects of growth in income before income taxes on the change in income taxes payable from one period to the next.

**Tax cash impact of growth on tax refund receivable** The measured effects of growth in income before income taxes on the change in tax refund receivable from one period to the next.

**Tax cash impact of income tax (expense) benefit** The measured effects of growth in income before income taxes and changes in the effective tax rate on income tax expense during a period.

**Tax cash impact of income taxes payable** The measured effects of growth in income before income taxes and changes in the percentage of income taxes payable to income before income taxes on the change in income taxes payable from one period to the next.

**Tax cash impact of tax refund receivable** The measured effects of growth in income before income taxes and changes in the percentage of a tax refund receivable to income before income taxes on the change in a tax refund receivable from one period to the next.

**Tax credits** A direct dollar-for-dollar reduction in taxes payable.

**Tax loss carryback** Taxes paid on previously reported taxable earnings may be recovered by carrying losses back and setting them off against such previously reported taxable earnings. The current carryback period is generally two years, though a temporary extension to five years was enacted in connection with the recession that followed September 11, 2001.

**Tax loss carryforward** Current tax-return losses that exceed tax-return earnings in the loss carryback period may be carried forward. The current net operating loss (NOL) carryforward period is twenty years.

**Tax refund receivable** A tax refund due from a taxing authority for income taxes paid in excess of amounts currently payable or as the result of the utilization of an operating loss or tax credit carryback. On the cash flow analysis statement the account is used in computing income taxes (paid) recovered on continuing operations, a component of cash flow available for debt service. See also: [Income tax refund receivable](#)

**Tax refund receivable to annualized income before income taxes %** Tax refund receivable as a percentage of income before income taxes. In effect, the proportion of income before income taxes carried in a tax refund receivable as of the end of a reporting period. See also: [Tax refund receivable](#)

**Tax refund receivable to income before income taxes %** Tax refund receivable as a percentage of income before income taxes. In effect, the proportion of income before income taxes carried in a tax refund receivable as of the end of a reporting period. See also: [Tax refund receivable](#)

**Taxable income** Income as measured on a corporation's tax return reflecting taxable revenues and gains less permitted tax deductions. Taxable income for a reporting period is used in computing the amount of income taxes due and payable for that period.

**Taxable temporary differences** Temporary differences that, upon their reversal, increase taxable income. The initial tax effects of these temporary differences are recorded as deferred tax liabilities.

**Temporary difference** A difference between the book and tax basis of both assets and liabilities. Alternatively, a temporary difference is a difference between book and tax return earnings that will reverse at some future point in time. Temporary differences give rise to deferred tax assets and liabilities.

**Total assets** The total of all assets, including current and operating working capital assets and noncurrent assets, as reported on the balance sheet.

**Total assets (in revenue days)** Total assets measured in terms of revenue from core operations per day. Calculated as total assets divided by revenue from core operations measured on a daily basis using a 365-day year.

**Total assets days** Total assets measured in terms of revenue from core operations per day. Calculated as total assets divided by revenue from core operations measured on a daily basis using a 365-day year.

**Total assets days 3-Year CAGR** The three-year compound average growth rate (or average rate of change) in total assets days.

**Total assets growth** The percentage change in total assets from one period to the next.

**Total cash flow** The change in reported cash and cash equivalents during a reporting period.

**Total debt service requirements** The total cash paid on debt service during a period consisting of total interest paid plus required principal payments on long-term debt and capital lease obligations.

**Total interest incurred** Interest obligations that accrue during a period, including interest expensed that period plus interest capitalized to PP&E and interest capitalized to inventory.

**Total interest paid** A term used on the cash flow analysis statement that consists of cash payments for interest on debt and capital leases, including capitalized interest. It is calculated as interest expense plus interest capitalized to PP&E and inventory, adjusted for changes in interest payable, capitalized debt-issue costs and interest paid with common stock.

**Total interest paid as % of average borrowings** Total cash payments for interest on debt and capital leases, including capitalized interest, measured as a percentage of average interest-bearing borrowings. See also: [Total interest paid](#)

**Total liabilities** The total of all obligations, including current and noncurrent, operating-related and financing-related, as reported on the balance sheet. Mezzanine interests, if any, are excluded.

**Total liabilities / Shareholders' equity** A measure of financial leverage calculated by dividing total liabilities by total shareholders' equity. It measures the amount of total liabilities for every dollar of shareholders' equity. Higher amounts denote higher financial leverage.

**Total liabilities / Tangible net worth** A measure of financial leverage calculated by dividing total liabilities by tangible net worth. It measures the amount of total liabilities for every dollar of tangible net worth. Higher amounts denote higher financial leverage.

**Total liabilities and shareholders' equity** The sum of total liabilities, mezzanine interests, and shareholders' equity. The sum will equal total assets.

**Total liabilities growth** The percentage change in total liabilities from one period to the next.

**Trading (gains) losses** Realized and unrealized gains or losses generated by short-term investments classified as trading securities. On the cash flow statement (indirect method), the account balance is removed from Income (loss) from continuing operations in the computation of sustainable operating cash flow.

**Trading cycle days** A variant on the cash cycle consisting of operating receivables, inventory and operating payables measured in terms of revenue from core operations per day. Calculated as operating receivables plus inventory and operating payables divided by revenue from core operations measured on a daily basis using a 365-day year.

**Trading gains (losses)** Realized and unrealized gains (losses) generated by short-term investments classified as trading securities. On the cash flow analysis statement the account is used in computing short-term investments and trading securities, a component of investment of sustainable free cash flow.

**Trading securities** Marketable debt or equity securities bought and held for sale in the near term to generate income on short-term price changes. On the cash flow analysis statement the account is used in computing short-term investments and trading securities, a component of investment of sustainable free cash flow.

**Traditional cash flow** Net income plus depreciation and amortization.

**Treasury stock** A corporation's issued stock that has subsequently been repurchased by the company and not retired.

**Treasury stock transactions** Cash paid or received for purchases or sales of treasury stock.

## U

**Unbilled receivables** Cost plus profit recognized on contracts in excess of amounts billed customers. See also: [Cost + profit in excess of billings](#)

**Unearned revenue** See also: [Deferred revenue](#)

**Uniform Credit Analysis™ (UCA)™ Cash Flow Format** A cash flow statement, often used by lenders and credit analysts, that highlights sources and uses of cash to facilitate analysis. Uniform Credit Analysis™ and (UCA)™ are registered trademarks of the Risk Management Association, Philadelphia, Pennsylvania.

**Unremitted equity method (income) loss** On the cash flow statement (indirect method), an adjustment to Income (loss) from continuing operations to remove the non-cash component of equity method income in the computation of sustainable operating cash flow.

## V

**Valuation** Performance measures focused on analyzing the relationship of market price to various measures of earnings and cash flow.

**Vendor financing** Amounts owed vendors for purchased goods or services, reported as accounts payable.

**Volatility (Technical Analysis)** The Volatility indicator, developed by Marc Chaikin, measures the trading range between an instrument's high and low for each period. The Exponential Moving Average of the difference between the period's high and low is first calculated (instead of the traditional period close). Then the Rate of Change of that moving average is taken, which represents an oscillator that measures volatility. A positive result indicates increasing volatility, whereas negative values signals decreasing volatility.

## W

**Williams %R** The Williams %R, developed by Larry Williams, is used to measure whether or not a security is overbought or oversold. The indicator is designed to show the relationship between the period high and the current close within the specified period. The %R is plotted on an upside down scale with 0 at the top and -100 at the bottom.

**Working capital** Current assets minus current liabilities.