

UCA TERMINOLOGY

The following are UCA terms used in the UCA cash flow model:

- Cash from sales is the portion of the present year's sales collected in the present year, plus any amounts from previous years' sales collected during the present year
- Cash production costs are cash expended during the present year to produce goods for sale (manufacturer) or to acquire merchandise (wholesaler or retailer)
- Gross cash profit is the difference between cash from sales and cash production costs
- Cash operating expenses is actual cash spent during the year for selling and general and administrative expenses. This figure is adjusted for depreciation as well as for changes in prepaid and accrued expenses
- Cash operating profit is the result of subtracting cash operating expenses from gross cash profit
- Net cash after operations (NCAO) is cash remaining after adjusting cash operating profit to reflect net cash inflow (or outlay) arising from changes in income taxes and in miscellaneous assets and liabilities. It is the amount available for servicing interest on bank debt
- Net cash income is the result of subtracting financing costs (interest as the cost of debt and dividends/withdrawals as the cost of equity) from NCAO. On a cash basis, this number is comparable to the amount of net income (on an accrual basis) that is retained after dividends. To this end, consider spreading as "income taxes" the portion of partnership/LLC/S corporation dividends that equate to the owners' personal income tax on the entity's net income
- Cash after debt amortization (CADA) is computed by subtracting the CMLTD at the end of the previous year from net cash income. If, after this step, there is still a positive figure, it means the company has been able to generate sufficient cash from its operations to meet all its obligations to bank lenders, including interest and principal. If, on the other hand, this figure is negative, the firm must resort to additional sources of financing to meet these obligations as well as to make any capital expenditures
- Financing surplus (requirement) is the result of subtracting fixed asset expenditures and other long-term investments from CADA. This measures either the magnitude of excess cash generated beyond all needs of the business, or the amount of external financing needed
- Cash after external financing—"External financing" refers to the provision of additional cash to the company from new loans (short-term and/or long-term) or equity capital (from shareholders). The cash after external financing is the excess or shortfall of cash after adjusting for the amount of external financing or lump-sum repayments (excluding scheduled CMLTD from the previous year-end)
- Actual change in cash is the year-to-year change as shown on the company's balance sheet. If the cash flow statement has been calculated correctly, this will be the same as cash after external financing