

**OPERATING CASH FLOW AND OTHER FINANCIAL TERMS:  
SOME ALGEBRAIC/DEFINITIONAL RELATIONSHIPS**

1. Operating cash flow  $\equiv$  Revenues - Cash operating expenses  
By definition
2. Operating expenses  $\equiv$  Cash operating expenses + Noncash operating expenses  
By definition
3. Noncash expenses  $\equiv$  [Depreciation & amortization]  
By convention
4. Cash operating expenses = Operating expenses - [Depreciation & amortization]  
Rearranging 2 and substituting 3
5. Operating cash flow = Revenues - (Operating expenses - [Depreciation & amortization])  
Substituting 4 into 1
6. Operating cash flow = (Revenues - Operating expenses) + [Depreciation & amortization]  
Rearranging terms of 5 and cancelling the double negative
7. Gross operating income  $\equiv$  Revenues - Operating expenses  
By definition
8. Operating cash flow = Gross operating income + [Depreciation & amortization]  
Substituting 7 into 6. QED