

**Solution:**

(1)

The statement is given below:

<b>STATEMENT OF CASH FLOW</b> <b>(Amount in millions of \$)</b>	
<b>Name: Jawarski Company</b> <b>For: Fiscal 2011</b>	
<b>Particulars</b>	<b>Amount</b>
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITY</b>	
Net Income	55
Adjustment of net income to reconcile with net cash flow of operations:	
Income not affecting cash:	
Depreciation & amortization	40
Changes in assets & liabilities:	
Increase in Accounts Receivable	(38)
Decrease in Inventories	(44)
Increase in Current Liabilities	75
<b>Net Cash Provided (used) by Operating Activity</b>	<b>88</b>
<b>CASH PROVIDED (USED) BY INVESTING ACTIVITY</b>	
Purchase of Fixed Assets	(240)
<b>Net Cash Provided (used) by Investing Activity</b>	<b>(240)</b>
<b>CASH PROVIDED (USED) BY FINANCING ACTIVITY</b>	
Proceeds From Long-Term Debts	150
Dividends Declared & Paid	(14)
<b>Net Cash Provided (used) by Financing Activity</b>	<b>136</b>
<b>Net Cash Provided (used) by</b> <b>(Operating + Financing + Investing) Activity</b>	<b>(16)</b>

(2)

Mr. Jawarski has invested heavily in expansion of his business without generating sufficient cash from operations & finance to cover the investment, leading to huge depletion of cash. This is probably the stage where they want to invest in more infrastructure to boost their productivity. This is hence, a temporary depletion, and can be beneficial for the future.