

Solution:

To prepare the statement using direct method, we need to show the operating activities' cash flows directly and not provide a schedule that reconciles the net income to the operating activities. The financial as well as investing activities remains similar. So, the statement is prepared below:

<p style="text-align: center;">STATEMENT OF CASH FLOW (Amount in millions of \$)</p> <p>Name: Charleston Aerospace Co. For: First 6 months of 2011</p>	
Particulars	Amount
CASH PROVIDED (USED) BY OPERATIONS	
Receipts from Customers	9,455
Less: Payments to Suppliers & Employees	(7,499)
Less: Taxes Paid	(167)
Less: Interest Paid (net)	(190)
Net Cash Provided (used) by Operations	1,599
CASH PROVIDED (USED) BY INVESTMENTS	
Sales of Marketable Securities	191
Capital Expenditures	(1,710)
Other Investing Revenue (Expense)	(134)
Net Cash Provided (used) by Investments	(1,653)
CASH PROVIDED (USED) BY FINANCIAL ACTIVITIES	
Issuance of Long-Term Debt	135
Less: Retirement of Long-Term Debt	(160)
Issuance of Common Stock (for employee plans)	251
Less: Repurchase of Common Stock	(193)
Dividends Paid	(17)
Net Cash Provided (used) by Financial Activities	16
Net Cash Provided (used) by (Operational + Investment + Financial) Activity	(38)
Cash and Equivalents as of December 31, 2011	200
Cash and Equivalents as of June 1, 2012	162