

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:

STATEMENT OF CASH FLOW
(Amount in thousands of \$)

Name: Cascade Tile
For: Fiscal 2011

Particulars	Amount
CASH PROVIDED (USED) BY OPERATIONS	
Cash Sales to Customers	1,390
Less: Trade Accounts Settlement	(815)
Less: Salaries & Wages Paid	(200)
Less: Other Expenses	(100)
Interest Received (Paid)	(13)
Income Taxes Paid	(35)
Net Cash Provided (used) by operations	227
CASH PROVIDED (USED) BY INVESTMENTS	
Purchase of New Warehouse	(435)
Issuance of Long-Term Debt	125
Net Cash Provided (used) by Investments	(310)
CASH PROVIDED (USED) BY FINANCIAL ACTIVITIES	
Dividends Paid to Shareholders	(41)
Net Cash Provided (used) by Financial Activities	(41)
Net Cash Provided (used) by (Operations + Financial + Investment) activities	(124)
Cash and Equivalents as of December 31, 2010	226
Cash and Equivalents as of December 31, 2011	102

The statement shows that the company has incurred a negative cash flow of \$124 million, indicating that cash reserves have depleted a bit, majorly due to investment activities, as a new warehouse has been purchased.