

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 millions of \$)

Name: Charleston Aerospace Co.
For : First 6 months of 2011

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
Issuance of Long-Term Debts	135
Less: Capital Expenditure	(1,710)
Other Investing Revenue (Expense)	(134)
Net Cash Provided (used) by Investments	(1,518)
CASH PROVIDED (USED) BY FINANCIAL ACTIVITIES	
Issuance of Common Stock (for employee plans)	251
Less: Repurchase of Common Stock	(193)
Retirement of Long-Term Debts	(160)
Dividends Payment	(17)
Net Cash Provided (used) by Financial Activities	(119)
Net Cash Provided (used) by (Operations + Financial + Investment) activities	(38)
Cash and Equivalents as of December 31, 2011	200
Cash and Equivalents as of June 1, 2012	162

The statement shows that the company has incurred a negative cash flow of \$38 million, indicating that cash reserves have depleted a bit, majorly due to investment activities.