

Winsloe Corporation obtained an investment in the stock of Southern Rail. The intent of the investment was not to obtain control or to exert significant influence. Winsloe has no plans to trade the investment for near-term profits. Following is a description of the activity related to the investment in Southern Rail:

- Aug. 5 Purchased 10,000 shares of Southern Rail at \$9 per share.
- Aug. 31 The fair value of Southern Rail's stock was \$10 per share.
- Sept. 30 The fair value of Southern Rail's stock was \$8.50 per share.
- Oct. 15 Received a dividend from Southern Rail of \$0.25 per share.
- Oct. 31 The fair value of Southern Rail's stock was \$9.50 per share.

- (a) What method should be used to account for this investment? Does management intent influence this decision? If the investment were obtained with the objective of near-term trading for profit, what would be done differently?
- (b) Prepare journal entries for the activity pertaining to the investment in Southern Rail.