

Davis Steel Company acquired 30% of the stock of Reginald Metals Company. Davis acquired this investment for purposes of being able to exert significant influence over the strategic plans and operations of Reginald. Following are events pertaining to this investment:

- June 1 Purchased 30,000 shares of Reginald for \$28 per share.
- June 30 The fair value of Reginald's stock was \$31 per share, and the company reported June income of \$80,000.
- July 15 The fair value of Reginald's stock was \$30 per share, and the company declared and paid a dividend of \$0.50 per share.
- July 31 The fair value of Reginald's stock was \$29 per share, and the company reported July income of \$60,000.

- (a) What method should be used to account for this investment?
- (b) Prepare journal entries to account for the activity pertaining to the investment in Reginald Metals.
- (c) If the investment in Reginald Metals was insufficient to allow Davis to exert significant influence, how would the accounting approach differ?