

# Meaning of Instructional Verbs in ACF Theory Assessments

Common instructional verbs	Mean of the verbs	What you are asked to do	Example of applying the instructional verbs
<b>Advise</b>	To suggest a course of action	Provide a logical solution or suggestion to an accounting situation that can be implemented by the business	In view of the declining liquidity of the company, it is suggested that the company post-pone its desire to purchase new plant and equipment until next quarter or consider raising further funds through an additional share issue to support the capital expenditure.
<b>Analyse</b>	To identify parts that contribute to a situation	Identify the cause/s of an accounting situation in order to rectify, improve, maintain or explain it	The income statement performance report reveals a poor actual profit result which is due to the following factors: cost of goods sold was significantly higher than budgeted causing the gross profit to be lower than expected. The operating expenses, in particular, selling costs, were higher than expected. This, in conjunction with a lower gross profit, contributed to a less than desirable profit result.
<b>Assess</b>	To make a judgement about the value of something	Provide your decision or opinion about an accounting situation in order to recommend, agree or dissuade a course of action by the business	The gearing ratio of the business indicates that the business should not proceed with another loan to finance its project. The gearing ratio over the past three years has steadily increased and the liquidity ratio results over the same period indicates that the business is not able to sustain another debt commitment. As a result, I would not recommend another loan at this time.
<b>Comment on</b>	Refer and expand on what has been provided	Give your thoughts about an accounting situation by providing explanations	From the case study, it is clear that Joe cannot manage cash appropriately. Internal control over cash such as clearing the cash till and securing cash on premises is not maintained on a consistent basis that has led to discrepancies with the bank statements and cash going missing on the premises.
<b>Compare</b>	To provide similarities and differences between items	List and describe characteristics of an accounting situation that are similar and different	A sole trader and partnership form of business share unlimited liability as a downside to their business structure, meaning that all debts are incurred and responsible by the sole trader or partners of a partnership. The main difference between both structures is that profits and losses are shared amongst partners whereas a sole trader bears all losses and gains all profits
<b>Contrast</b>	To provide what is uniquely different between items	List and describe characteristics of an accounting situation that different only	In a proprietary limited company, finance cannot be sourced from the public, whereas a limited company listed on the ASX can.

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<b>Define</b>	To provide a standard or formal meaning about an object or concept	Provide a full accounting definition about an accounting concept, principle or item that may or may involve an AASB standard definition	A liability is defined as 'a present obligation of the entity to transfer an economic resource as a result of past events.'
<b>Demonstrate</b>	To clearly show something	Outline ways in which a business could apply, improve or avoid an accounting situation with examples	In order to improve the business's control over inventory, it could apply the following measures: check all invoices with orders to ensure they match; do regular stock takes between computer records and what is on the actual shelves or floor to determine missing stock.
<b>Describe</b>	To provides features or characteristics about an item	Outline features or characteristics about an accounting concept or situation	The perpetual inventory system contains the following features that make it distinct from the physical inventory system: it is based on a computer software system that keeps track of all inventory; it keeps a cost of sales account which enables the business to determine gross profit at any time; fast selling lines can easily be determined.
<b>Discuss</b>	To provide pros and cons about a situation or issue	Identify the issues in an accounting situation by describing it, explaining it and then outline pros and cons	Investing in a tea tree plantation is a possibility for the business because it has large acreage and initial interest from potential investors. This could help the farm diversify from its wheat and canola productions bringing in more potential cashflow and additional markets. The drawback with the investment is that although the payback for this investment is 5 years, the potential won't be fully realised until 10 years' time. Favouring other investments with a shorter payback period the owners may miss out on future potential of this investment not to mention the favourable effects it can have on the existing land which seems to be a priority for the owners.
<b>Distinguish</b>	State differences between one item over another	State differences between one accounting item, concept or situation over another	The difference between an asset and a liability is that an asset is resource that creates economic inflow whereas a liability is an obligation that consumes a business resource that creates an economic outflow.

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<b>Evaluate</b>	To make a decision, judgement or statement based on an analysis of something	Make a decision, statement or judgement on an accounting situation based on an analysis of accounting information provided.	An investment in Company X should be made over Company Y as their earnings per ordinary share and dividends per ordinary shares were higher over the last quarter, their projection for the next quarter significant and based on announcements made about their new mining deposit discoveries.
<b>Explain</b>	To describe why or how something works or is	Describe why or how an accounting situation works, could be improved or exists	Mimi lost his home contents because as a sole trader, he has unlimited liability. His business assets were not enough to cover his debts and as a result, personal items in his home needed to be liquidated in order to repay his debts.
<b>Identify</b>	To locate and name	Name specific features, characteristics, causes or issues from an accounting situation	Three major causes for the business's demise were liquidity issues, fraudulent activity and mismanagement of company resources.
<b>Interpret</b>	To provide meaning of something	Provide the meaning or an explanation of an accounting situation from given data or information	It appears the business is highly profitable from the profitability ratios provided over the last three years. It is able to control its expenditure as seen from the decreasing totals in relation to its increasing gross profit figures and its efficient use of resources as indicated by the excellent rate of return on asset results.
<b>Justify</b>	To provide evidence to support a decision or conclusion	Using provided accounting information or data to support an accounting decision or conclusion about an accounting situation	The business should go ahead with offer because the contribution margin on the offer is greater than the opportunity cost to cover fixed costs and there is plenty of production capacity to continue normal operations and satisfy the special request.
<b>Recommend</b>	To provide an option with a reason	Provide a suitable option with a reason to an accounting situation that the business could consider	It is recommended that the business review its internal control over its accounts receivable to avoid bad debts and its negative effect on the business's cash flow.
<b>State</b>	To give the main point/s	Provide the main feature, characteristic, that contributes to an accounting situation	Operating expenses were too high.