

EEMR

Economics, Entrepreneurship and Management Research

Vol. 4, No. 2, 2025.

e-ISSN:2955-9014 pp. 38-47

Review Paper/Pregledni rad
Paper Submitted/Rad primljen: 12. 11. 2025.
Paper Accepted/Rad prihvaćen: 15. 12. 2025.

**UDC/UDK: 006.44:657.2
658.155**
COBISS.SR-ID 183374345
DOI: <https://doi.org/10.62907/eemr250402038b>

The impact of evolving business models on the transformation of revenue recognition standards

Jozefina Beke-Trivunac¹

Abstract: *The primary issue in accounting for revenue is the timing of its recognition. The first international accounting standard on revenue recognition was issued in 1982. The fundamental principle for revenue recognition was the transfer of economic benefits from the seller to the buyer. The emergence of the “Internet bubble” in the early 2000s, increasingly complex contracts with customers, and the rise of new business models involving combinations of goods and services, as well as multi-element arrangements, highlighted the need for significant improvements in financial reporting on revenue, tailored to the requirements of the modern business environment. This paper describes the main changes in accounting for revenue that are appropriate to new business models.*

Keywords: *Accounting standards, IFRS, IPSAS, Financial reporting.*

JEL Classification: M41, H83

1. Introduction

International Financial Reporting Standard (IFRS) 15 – Revenue from Contracts with Customers was adopted by the International Accounting Standards Board (IASB) in 2014 and became effective on January 1, 2018. With the adoption of this standard, two earlier standards ceased to be effective: IAS 18 *Revenue*, which had come into force two decades earlier in 1995 and was later revised in 2001, and IAS 11 *Construction Contracts*, which had been effective since 1980 and revised in 1993. The International Public Sector Accounting Standard (IPSAS) 47 *Revenue (Exchange Transactions)* was issued in May 2023 and will become effective on January 1, 2026. With the adoption of IPSAS 47, three

¹ALFA BK Univerzitet, Beograd, Srbija. E-mail: jozefina.beke@alfa.edu.rs, <https://orcid.org/0000-0002-7394-7006>.

standards will be superseded: IPSAS 9 *Revenue from Exchange Transactions* (issued in 2001), IPSAS 11 *Construction Contracts* (issued in 2001), and IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)* (issued in 2006).

Although both IAS 18 and IFRS 15 regulate the accounting treatment of revenue, the differences between the two standards are primarily determined by changes in the business environment. IFRS 15 is the result of a joint project between the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB). The project aimed to harmonize revenue reporting under U.S. GAAP and international standards, resulting in two new standards: U.S. GAAP *Accounting Standards Codification (ASC) 606 – Revenue from Contracts with Customers* and IFRS 15 under the same title. (FASB, 2014) This paper focuses only on the changes and differences between IAS 18 and IFRS 15. IPSAS 47 is based on IFRS 15 but is adapted to the nature of public sector operations. Understanding the mechanics of standard development remains relevant for the analysis of comparative financial data from prior periods.

2. Literature Review

The question of when and how revenue should be recognized represents one of the key research issues in accounting. Over time, a significant number of studies have been published that, in line with the development of standards, offered guidance on this problem. The emergence of the “Internet bubble” in the early 2000s, when numerous revenue manipulations were uncovered, together with increasingly complex contracts with customers and the rise of new business models involving combinations of goods and services as well as multi-element arrangements (Wagenhofer, 2025), highlighted the need for substantial improvements in revenue reporting, adapted to the requirements of the modern business environment.

The existing literature mainly addresses the actual impact of changes in accounting standards. A large number of studies analyzing the “real effects” of IFRS 15 conclude that the new standard not only changes accounting policies but also influences business practices through its impact on contractual arrangements, negotiations, and the structure of business models (Napier & Stadler, 2020). Wagenhofer (2014) emphasizes that IFRS 15 establishes a stronger link between economic events and accounting outcomes.

Another group of studies has pointed out that IFRS 15 enhances clarity, reduces revenue manipulation, and increases the reliability of financial statements (Hameed et al., 2019; Mattei & Paoloni, 2021; Altajia & Alokdeha, 2019; Oyedokun & Emmanuel, 2016), but requires additional training and adaptation (Hagos & Svensson, 2021; Ogunode & Salawu, 2021; Alhawtmeh et al., 2025).

Napier & Stadler (2020) demonstrated how the direct accounting effects of applying the new standard can trigger additional effects, which they classified as informational effects, capital market effects, and real effects, noting that these additional effects may themselves generate indirect accounting effects.

The study by Rompotis & Balios (2025) provides a comprehensive literature review that can serve academics and researchers as a basis for further studies on the relationship between IFRS and IPSAS, including IFRS 15 and IPSAS 47. It highlights the benefits arising from the application of IPSAS and points to the main differences between IFRS and IPSAS.

3. Methodology

This paper presents the evolution of revenue reporting in connection with changes in the business environment and business models. This process also includes the pursuit of uniform regulation of revenue reporting across all areas of business activity, in both the private and public sectors. In this context, the continuity of the development of international standards for revenue reporting is examined, starting with IAS 18 Revenue, followed by IFRS 15 Revenue from Contracts with Customers, and culminating in IPSAS 47 Revenue (Exchange Transactions).

4. Evolution of revenue recognition principle

This section provides an overview of the evolution of revenue recognition principles from the issuance of the first international standard to the present day.

4.1 IAS 18 Revenue

The standard IAS 18 Revenue was issued in 1982 by the International Accounting Standards Committee (IASC). It was significantly revised in 1993, after which minor amendments were made, including alignments with other standards.

The definition of “income” has changed over time. In the 1989 *Conceptual Framework* (IASC, 1989), income was defined as “*increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.*” The 2010 revision of the *Conceptual Framework* introduced a new definition of income: “*increases in assets, or decreases in liabilities, that result in increases in equity, other than those relating to contributions from holders of equity claims*” (IASB, 2010). This definition was retained in the 2018 *Conceptual Framework* (IASB, 2018).

The definition of revenue in IAS 18 (1982) was: “*Revenue is the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an entity, when those inflows result in increases in equity, other than increases relating to contributions from equity participants.*” According to the revised IAS 18 (1993): “*Revenue is the gross inflow of economic benefits during the period arising from the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants*” (IASB, 1993). The previous definition was retained but expanded to cover different types of transactions: sale of goods, rendering of services, and the use of the entity’s assets (interest, royalties, dividends). The

basic definition of revenue did not change while the standard was in force, remaining focused on the gross inflows of economic benefits.

The objective of IAS 18 was to prescribe the accounting treatment for revenue arising from certain types of transactions and events (sale of goods, rendering of services, interest, royalties, and dividends). The primary issue in accounting for revenue was determining when revenue should be recognized. Under this standard, revenue was recognized when the inflow of future economic benefits into the entity was probable and those benefits could be measured reliably. The focus of IAS 18 was on the transfer of risks and rewards, a concept essential to its application across different types of transactions. IAS 18 identified the circumstances under which these criteria would be satisfied, i.e., when revenue should be recognized.

The established standards have five mandatory criteria that had to be met before an entity could recognize revenue from the sale of goods. Failure to meet even one criterion meant deferral of revenue recognition from the transaction.

- The first two criteria focused on the transfer of ownership from the seller's perspective. The entity had to transfer to the buyer the significant risks and rewards of ownership of the goods.
- The remaining criteria focused on the practical and financial measurability of the transaction. Revenue could only be recognized if the amount could be measured reliably. It also had to be probable that the economic benefits associated with the transaction would flow to the entity.
- The final condition required that the costs incurred or to be incurred could be measured reliably. This cost measurement rule ensured the application of the matching principle between revenue and expenses.

During the application of this standard, it became evident that its principles were sometimes difficult to understand and challenging to apply to complex transactions. Moreover, IFRS provided limited guidance on issues such as revenue recognition for multi-element arrangements. The disclosures required by IAS 18 often did not provide financial statement users with sufficient information to adequately understand revenue arising from contracts with customers (LegalClarity Team, 2025).

4.2 IAS 18 Revenue

The standard IAS 18 *Revenue* was issued in 1982 by the International Accounting Standards Committee (IASC). It was significantly revised in 1993, after which minor amendments were made, including alignments with other standards.

The definition of "income" evolved over time. In the 1989 *Conceptual Framework* (IASC, 1989), income was defined as "increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants." The 2010 revision of the *Conceptual Framework* introduced a new definition of income: "increases in assets, or decreases in liabilities, that result in increases in equity, other than

those relating to contributions from holders of equity claims” (IASB, 2010). This definition was retained in the 2018 *Conceptual Framework* (IASB, 2018).

The definition of revenue in IAS 18 (1982) was: “*Revenue is the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an entity, when those inflows result in increases in equity, other than increases relating to contributions from equity participants.*” According to the revised IAS 18 (1993): “*Revenue is the gross inflow of economic benefits during the period arising from the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants*” (IASB, 1993). The previous definition was retained but expanded to cover different types of transactions: sale of goods, rendering of services, and the use of the entity’s assets (interest, royalties, dividends). The basic definition of revenue did not change while the standard was in force, remaining focused on the gross inflows of economic benefits.

The objective of IAS 18 was to prescribe the accounting treatment for revenue arising from certain types of transactions and events (sale of goods, rendering of services, interest, royalties, and dividends). The primary issue in accounting for revenue was determining when revenue should be recognized. Under this standard, revenue was recognized when the inflow of future economic benefits into the entity was probable and those benefits could be measured reliably. The focus of IAS 18 was on the transfer of risks and rewards, a concept essential to its application across different types of transactions. IAS 18 identified the circumstances under which these criteria would be satisfied, i.e., when revenue should be recognized.

The established standards have five mandatory criteria that had to be met before an entity could recognize revenue from the sale of goods. Failure to meet even one criterion meant deferral of revenue recognition from the transaction (MSFI Foundation, 2023).

- The first two criteria focused on the transfer of ownership from the seller’s perspective. The entity had to transfer to the buyer the significant risks and rewards of ownership of the goods.
- The remaining criteria focused on the practical and financial measurability of the transaction. Revenue could only be recognized if the amount that could be measured reliably. It also had to be probable that the economic benefits associated with the transaction would flow to the entity.
- The final condition required that the costs incurred or to be incurred could be measured reliably. This cost measurement rule ensured the application of the matching principle between revenue and expenses.

During the application of this standard, it became evident that its principles were sometimes difficult to understand and challenging to apply to complex transactions. Moreover, IFRS provided limited guidance on issues such as revenue recognition for multi-element arrangements. The disclosures required by IAS 18 often did not provide financial statement users with sufficient information to adequately understand revenue arising from contracts with customers.

4.3 Conceptual Transition from IAS 18 to the IFRS 15 Five-Step Model

The adoption of IFRS 15 (which replaced IAS 18) and U.S. GAAP Topic 605, which superseded a large number of individual interpretations, represents a significant shift toward a principles-based approach to revenue recognition. The definition of revenue in this standard is identical to that in IAS 18. The fundamental change lies in moving away from the previous concept of the transfer of risks and rewards. Under IFRS 15, revenue is the amount that reflects the consideration for goods or services transferred, recognized at the point when the customer obtains control.

The key elements of IFRS 15 are:

- Revenue is recognized when the customer obtains control of the goods or services, rather than merely when risks and rewards are transferred (the principle under IAS 18).
- Revenue is measured at the amount of consideration to which the entity expects to be entitled. (Beke-Trivunac, 2021).
- The standard applies only to revenue arising from contracts with customers.
- Scope: IFRS 15 addresses contracts with customers regardless of the type of goods or services involved.

IFRS 15 introduces a five-step model for revenue recognition:

1. Identify the contract with a customer.
2. Identify the performance obligations.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations.
5. Recognize revenue when (or as) the performance obligations are satisfied.

The model requires entities to conduct a more detailed analysis of contracts, particularly with respect to multiple deliverables and variable considerations. This detailed analysis ensures that revenue is recognized when the entity fulfills its performance obligation by transferring the promised goods or services to the customer.

Stages of contract realization with customers in five steps

- Identification of the contract with a customer. A customer is a party that has entered into a contract with the entity for the purchase of goods or services resulting from the entity's ordinary activities in exchange for consideration. The contract is concluded between two or more parties and creates enforceable rights and obligations for each party. The contract must be approved, the rights of each party must be clearly specified, it must have commercial substance, and the collectability of consideration must be clearly stated.
- Identification of performance obligations in the contract. A performance obligation is any promise made by the seller in the contract with the customer to transfer to the customer: (a) a good or service (or a bundle of goods or services) that is distinct, or (b) a series of distinct goods or services that are substantially the same and have the same pattern of transfer from the seller to the customer. A performance

obligation may be stated explicitly or implicitly and may be given in written or oral form.

- Determination of the transaction price. The transaction price is the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. The transaction price does not include amounts collected on behalf of third parties (e.g., VAT).
- Allocation of the transaction price to performance obligations.
- Recognition of revenue when the performance obligation is satisfied. A performance obligation may be satisfied at a point in time (e.g., purchase of a license) or overtime (e.g., cloud data storage).

When examining structural differences, it becomes evident that under IAS 18 the model of revenue recognition was based on the type of transaction, whereas under IFRS 15 the model is based on contracts and performance obligations. In addition, IFRS 15 clearly defines performance obligations, variable consideration, the requirement to identify and allocate transaction prices in multi-component contracts and systematically defines the concepts of “over time” and “at a point in time.” There are also qualitative differences in disclosure requirements. IAS 18 provided basic guidance but left room for diverse interpretations. IFRS 15 requires detailed disclosure of estimates, methods, and risks—thereby increasing transparency and comparability of financial statements. (Giner & Pardo, 2020).

In the context of the public sector, IFRS 15 enables more precise monitoring of contracts related to subsidies, public procurement, and services, with clear recording of obligations.

4.4. IPSAS 47

IFRS 15 served as the basis for the development of IPSAS 47 *Revenue*, meaning that both standards are based on the same fundamental principles, which implies that the public sector applies the same theoretical framework as the private sector. Both standards recognize revenue upon the fulfillment of obligations to the customer through the five-step model (identification of the contract, identification of performance obligations, determination of the transaction price, allocation of the transaction price, and recognition of revenue). The focus in both standards is on control, as revenue is recognized when the customer obtains control of the goods or services. Both standards emphasize cautious recognition of variable consideration components (discounts, bonuses). Finally, both standards require detailed disclosures regarding nature, timing, and uncertainty of revenue. The difference between IFRS 15 and IPSAS 47 lies in their application. IFRS 15 was developed for the private sector (business entities), while IPSAS 47 adapts the same framework for the public sector (government institutions, municipalities, public services), with additional provisions for transactions involving public services, subsidies, and specific governmental arrangements. Consequently, IFRS 15 addresses commercial contracts, focuses on market price, and requires clear disclosures of financial risks and revenue recognition policies related to sales. IPSAS 47 emphasizes public accountability, transparency, and reporting on public services. IPSAS 47 strengthens transparency in the public sector, while IFRS 15 enhances investor confidence in the private sector.

The primary task of most entities in the public sector is to deliver goods or services to the public. As a result, a large number of transactions in the public sector relate to revenue. According to IPSAS 47, revenue encompasses gross inflows of economic benefits or service potential received by or due to the entity, representing increases in net assets/equity, other than increases related to contributions from owners. IPSAS 47 provides two models of accounting for revenue and includes comprehensive guidance for determining which model to apply. One model relates to revenue from transactions without a binding arrangement, and the other to revenue from transactions with a binding arrangement.

The concept of a binding arrangement is fundamental to revenue accounting in the public sector. A binding arrangement is one that confers enforceable rights and obligations on the parties, enforceable through legal or equivalent means. As such, the entity must have at least one enforceable right and one enforceable obligation. IPSAS 47 introduces the concept of enforceable rights and obligations in the context of contractual arrangements that generate revenue, particularly when there is a binding agreement between two parties. The existence of binding and non-binding arrangements is characteristic of the public sector, where revenue is derived either through exchange or non-exchange transactions. The existence of a binding arrangement determines whether the exchange model is applied. If no arrangement exists, the non-exchange model is used. A binding contract with a customer is the basic prerequisite for revenue recognition. The key feature of the binding arrangement model is that revenue is recognized according to the degree of fulfillment of obligations, following the five-step model. In the non-exchange model, revenue is recognized when the entity obtains control over resources. This non-exchange model is applied to taxes, grants, and transfer revenues.

5. Conclusion

Revenue is the first line item in the income statement, while the last line item is profit after tax. In this sense, the accounting treatment of revenue (recognition, measurement, presentation, and disclosure) has a significant impact on the final business result and, consequently, on investors' decisions.

The adoption of IFRS 15, which replaced IAS 18, represents a major shift in the approach to revenue recognition. The fundamental change lies in moving away from the concept of transferring risks and rewards. The old model often led to transactions structured solely to achieve a desired accounting outcome.

IFRS 15 does not merely replace the technique of revenue recognition—it changes the philosophy of reporting. From a static moment (IAS 18) to a dynamic process (IFRS 15), the standard becomes a tool for ethical, transparent, and user-oriented financial reporting. This is the reason why the International Public Sector Accounting Standards Board (IPSASB) adopted this standard as the basis for developing IPSAS 47 Revenue. IPSAS 47 uses the concept of a binding arrangement as the criterion for distinguishing between exchange and non-exchange revenue. IFRS 15 requires a binding contract for all revenue. The public sector (IPSAS) and the private sector (IFRS) apply a similar concept, but with different applications due to the nature of revenue.

References

1. Alhawtmeh, O. M., Aladwan, M., Alsinglawi, O., & Awad, S. (2025). Comparison of the stability and presentation of revenues during the application of IAS 18 and after the application of IFRS 15: Evidence from Jordanian services and industries sectors. *International Journal of Innovative Research and Scientific Studies*, 8(3), 130–137. <https://www.researchgate.net/publication/391208415>.
2. Altajia, F. S., & Alokdeha, S. K. (2019). The impact of the implementation of international financial reporting standards no. 15 on improving the quality of accounting information. *Management Science Letters*, 9, 2369–2382. <https://doi.org/10.5267/j.msl.2019.7.018>.
3. Beke-Trivunac Jozefina. (2021). Vremenska vrednost novca i prihodi od ugovora sa kupcima, *Revizor*, 95-96, 2021, str. 111-117, DOI: 10.5937/Rev2196111B.
4. Ernst & Young. (2025, August). Revenue from contracts with customers (ASC 606). Ernst & Young Global Limited.
5. Financial Accounting Standards Board (FASB). (2014). *Background information and basis for conclusions: Accounting Standards Update (ASU) 2014-09 – Revenue from contracts with customers*. FASB.
6. Giner, B. & Pardo, F. (2020). The real effects of a new accounting standard: The case of IFRS 15. *Accounting and Business Research*, 50(7), 1–27. <https://doi.org/10.1080/00014788.2020.1770933>.
7. Hagos, A., & Svensson, M. (2021). How does IFRS 15 influence Swedish auditors and financial analysts' understanding of companies' revenue transactions? (Master's thesis). Uppsala University, Department of Business Studies.
8. Hameed, A. M., Al-taie, B. F. K., & Al-Mashhadani, B. N. A. (2019). The impact of IFRS 15 on earnings quality in businesses such as hotels: Critical evidence from the Iraqi environment. *African Journal of Hospitality, Tourism and Leisure*, 8(4), 1–11.
9. International Accounting Standards Board. (1993). *International Accounting Standard 18: Revenue*. London: IFRS Foundation.
10. International Accounting Standards Board. (2001). *MRS 18 Revenue*. In *International Financial Reporting Standards*. IFRS Foundation.
11. International Accounting Standards Board. (2010). *Conceptual Framework for Financial Reporting*. London: IFRS Foundation.
12. International Accounting Standards Board. (2014). *MSFI 15 Revenue from Contracts with Customers*. In *International Financial Reporting Standards*. IFRS Foundation.
13. International Accounting Standards Board. (2018). *Conceptual Framework for Financial Reporting*. London: IFRS Foundation.
14. International Accounting Standards Committee (IASC). (1989). *Framework for the Preparation and Presentation of Financial Statements*. IASC.
15. International Public Sector Accounting Standards Board (IPSASB). (2023). *IPSAS 47: Revenue*. IPSASB.
16. International Public Sector Accounting Standards Board. (2011). *IPSAS 9: Revenue from exchange transactions*. IPSASB.
17. International Public Sector Accounting Standards Board. (2011). *IPSAS 11: Construction contracts*. IPSASB.

18. LegalClarity Team. (November 29, 2025) IAS 18 Revenue Recognition: Illustrative Examples. Available at: <https://legalclarity.org/ias-18-revenue-recognition-illustrative-examples/>.
19. Mattei, G., & Paoloni, N. (2021). Understanding the potential impact of IFRS 15 on the telecommunication listed companies, by the disclosures' study. *International Journal of Business and Management*, 14(1), 169. DOI: 10.5539/ijbm.v14n1p169.
20. MSFI Foundation. (2023). *MSFI 15 Application Guidance and Illustrative Examples*. Available at: <https://www.MSFI.org>.
21. Napier, C. J., & Stadler, C. (2020). The real effects of a new accounting standard: the case of IFRS 15 *Revenue from Contracts with Customers*. *Accounting and Business Research*, 50(5), 474–503. <https://doi.org/10.1080/00014788.2020.1770933>.
22. Ogunode, O. A., & Salawu, R. O. (2021). Revenue recognition dilemma under international financial reporting standard (IFRS 15): Perspectives from key impacted firms in Nigeria. *Accounting and Finance*, 9(5), 916–926. <https://doi.org/10.13189/ujaf.2021.090503>.
23. Oyedokun, P., & Emmanuel, G. (2016). Revenue recognition paradox: A review of IAS 18 and IFRS 15. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.2912250>.
24. Rompotis G, Balios D (2025), Benefits of IPSAS and their differences from IFRS: a discussion paper. *EuroMed Journal of Business*, Vol. 20 No. 1 pp. 94–113, doi: <https://doi.org/10.1108/EMJB-07-2022-0139>.
25. Wagenhofer, A. (2014). The role of revenue recognition in performance reporting, *Accounting and Business Research*, vol. 44, no. 4, pp. 349–379. <https://doi.org/10.1080/00014788.2014.897867>.

Uticaj promena poslovnih modela na računovodstvene standarde o priznavanju prihoda

Jozefina Beke-Trivunac

Apstrakt: Prvenstveno pitanje u računovodstvenom obuhvatanju prihoda je kada se prihod priznaje. Prvi međunarodni računovodstveni standard o priznavanju prihoda donet je 1982. godine. Osnovni princip za priznavanje prihoda bio je prenos ekonomskih koristi sa prodavca na kupca. Pojava „Internet balona“ početkom 2000-ih, sve složeniji ugovori sa kupcima i pojave novih poslovnih modela, koji obuhvataju kombinaciju dobara i usluga, kao i ugovore sa višestrukim elementima ukazali su na potrebu za značajnim unapređenjem finansijskog izveštavanja o prihodima, prilagođeno potrebama savremenog poslovnog okruženja. U radu su opisane glavne promene u računovodstvenom obuhvatanju prihoda primerene novim modelima poslovanja.

Ključne reči: Računovodstveni standardi, MSFI, MRS JS, Finansijsko izveštavanje.