



IPSAS 47, *Revenue*

This summary provides an overview of [IPSAS 47, Revenue](#).

Project Objective: To develop a new Standard that sets out the accounting requirements for revenue transactions in the public sector. This IPSAS replaces IPSAS 9, *Revenue from Exchange Transactions*, IPSAS 11, *Construction Contracts*, and IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*.

Approved: The International Public Sector Accounting Standards Board® (IPSASB®) approved [IPSAS 47, Revenue](#) in March 2023. It was issued in May 2023.

Project History: The IPSASB initiated the Revenue project in 2015. In February 2020, the IPSASB issued [Exposure Draft \(ED\) 70, Revenue with Performance Obligations](#) and [ED 71, Revenue without Performance Obligations](#) which proposed different accounting guidance based on whether the revenue transaction has a performance obligation.

In developing IPSAS 47, the IPSASB considered constituents' feedback to ED 70 and ED 71. The IPSASB decided to:

- (a) Present revenue guidance in a single Standard;
- (b) Clarify and refine the accounting principles and concepts to account for revenue transactions in the public sector; and
- (c) Provide non-authoritative guidance to help preparers use professional judgment in applying the accounting principles consistently.

Project Overview

The purpose of the Revenue project was to develop a new Revenue Standard that provides recognition and measurement requirements for public sector revenue transactions, and addresses application issues with the existing suite of revenue IPSAS.

Why the IPSASB Undertook this Project

The primary objective of most public sector entities is to deliver goods or services to the public. As a result, a large volume of transactions in the public sector relate to revenue.

IPSAS literature previously included two Standards for exchange revenue transactions (IPSAS 9, *Revenue from Exchange Transactions* and IPSAS 11, *Construction Contracts*), and one Standard for non-exchange revenue transactions (IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*). These Standards were issued prior to the IPSASB's 2014 *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework).

IPSAS 47, *Revenue* is the result of the IPSASB's work to:

- Review and update IPSAS 23, as necessary, for consistency with the current Conceptual Framework and to address application issues with the existing IPSAS; and
- Consider the accounting approach in IFRS 15, *Revenue from Contracts with Customers*, issued by the International Accounting Standards Board (IASB) in 2014. IFRS 15 replaced International Accounting Standard (IAS) 18, *Revenue*, and IAS 11, *Construction Contracts*, and related interpretations, which provided the IPSASB an opportunity to evaluate the existing principles in IPSAS 9 and IPSAS 11 (drawn primarily from IAS 18 and IAS 11, respectively).

Benefits of IPSAS 47

IPSAS 47 is a single source for revenue accounting guidance in the public sector. The enhancements introduced by this IPSAS have the following benefits:

- (a) Addressed application issues in the legacy revenue IPSAS, and confirmed consistency with the concepts in the Conceptual Framework;
- (b) Increased transparency related to the substance of an entity's revenue transactions by introducing a more robust and objective approach to the recognition and measurement of revenue; and
- (c) Enhanced disclosure requirements to provide more useful information to users.

Two Accounting Models

IPSAS 47 presents two accounting models, based on the existence of a binding arrangement.

IPSAS 47 includes comprehensive guidance for an entity to determine which accounting model to apply.

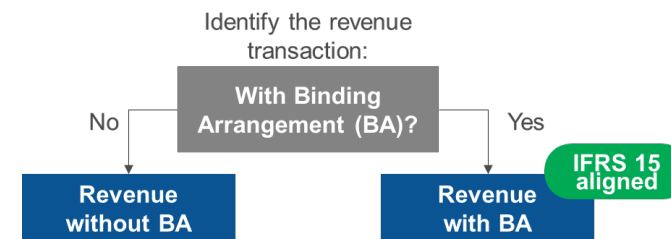
IPSAS 47 first requires an entity to determine whether its revenue arises from a transaction with a binding arrangement, to determine the appropriate accounting model. The principles within the models enable an entity to reflect the substance of its revenue transaction. The Standard provides additional guidance to support entities in accounting for public sector specificities.

The Binding Arrangement Concept

The concept of a binding arrangement is prevalent throughout IPSAS literature and is fundamental for revenue accounting in the public sector.

A binding arrangement is an arrangement that confers both rights and obligations, enforceable through legal or equivalent means, on the parties to the arrangement. As such, an entity must have at least an enforceable right and an enforceable obligation. For example, in a two-party binding arrangement:

Component	Party A	Party B
Enforceable Right	✓	✓
Enforceable Obligation	✓	✓



Enforceability

Enforceability underpins the definition of a binding arrangement. An entity uses judgment to consider all relevant factors in their jurisdiction and the specific transaction to assess whether enforceability exists in its arrangement. Enforceability can:

- Arise from various mechanisms (i.e., “what”), to hold the parties accountable to fulfilling each of their respective obligations by compelling them to fulfill their obligations or face imposed consequences (i.e., “how”); and
- Be through legal or equivalent means in the public sector. Equivalent means (which include executive authority, and cabinet or ministerial directives) captures enforcement outside the judicial system that is similar to the force of law.

Revenue from Transactions without Binding Arrangements

The accounting model for revenue without binding arrangements requires an entity to consider whether any of its rights or its obligations in the revenue transactions are enforceable, and meet the definitions of an asset or liability, respectively.

Core Principles

A significant volume of revenue transactions in the public sector are expected to be without binding arrangements, such as taxes.

In a transaction without binding arrangements, the entity does not have both an enforceable right and an enforceable obligation, but may have an:

- Unenforceable right, and unenforceable obligation – e.g., a donation, where an entity (aid organization) is not able to enforce payment from a resource provider (donor), and is not required to use the donation in a specific way;
- Enforceable right, but unenforceable obligation – e.g., income taxes, where an entity (national government) is able to enforce payment from a taxpayer, but is not required to use the tax revenue to provide specific services to the taxpayer; or
- Unenforceable right, but enforceable obligation – e.g., an education grant, where an entity (university) is not able to enforce payment from the resource provider (national government), but is required to provide the grant to students that meet predetermined eligibility criteria.

An entity determines whether any of its rights in the arrangement meet the definition and recognition criteria of an asset, and whether any of its obligations meet the definition and recognition criteria of a liability.

The existence of a liability associated with the inflow or right to an inflow of resources impact the timing of revenue recognition.

This accounting model is consistent with the core principles presented in IPSAS 23, and addresses issues raised by constituents in the application of the existing Standard for non-exchange revenues.

Recognition

An entity shall recognize revenue from a transaction without a binding arrangement:

- When (or as) the entity satisfies any enforceable obligations associated with the inflow (or right to inflow) of resources that met the definition of a liability; or
- Immediately if the entity does not have an enforceable obligation associated with the inflow (or right to inflow) of resources.

Measurement

Revenue is measured at the amount of the increase in the entity's net assets (e.g., the consideration received or receivable).

Revenue from Transactions with Binding Arrangements – Adapting IFRS 15

The accounting model for revenue with binding arrangements is primarily aligned with IFRS 15, but has been adapted and expanded for operability in the public sector.

Public Sector Considerations

While aligned in principles, the accounting model for revenue with binding arrangements in IPSAS 47 broadens the approach in IFRS 15 to address public sector transactions. Two key aspects adapted for the public sector are binding arrangements and compliance obligations.

A **binding arrangement** in IPSAS 47 is broader than a 'contract' in IFRS 15, to allow for jurisdictions where government and public sector entities cannot enter into legal contracts (with enforceability through legal means) but do enter into arrangements that are in substance the same as contracts (with enforceability through equivalent means).

In addition, IPSAS 47 acknowledges that public sector transactions often involve third-party beneficiaries, which can be an entity, individual or household, receiving those goods or services.

A **compliance obligation** is an entity's promise in a binding arrangement to either use resources internally for distinct goods or services or transfer distinct goods or services to a purchaser or third-party beneficiary. A 'compliance obligation' in IPSAS 47 is broader than a 'performance obligation' in IFRS 15. While both are units of account for the recognition and measurement of revenue, compliance obligations also include any:

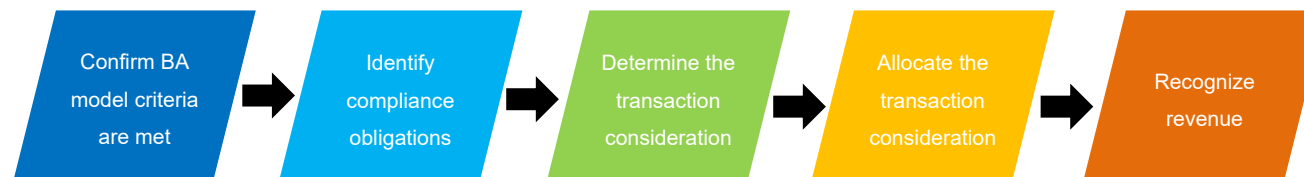
- Present obligations that are legally binding through equivalent means;
- Requirements for the entity to use resources internally for distinct goods or services; and
- Requirements to transfer distinct goods and services to a party other than the resource provider, such as to a third-party beneficiary.



	IPSAS 47 Compliance Obligation	IFRS 15 Performance Obligation
Legally binding through...	Legal and equivalent means	Legal means
Recipient of distinct good / service is...	The entity , purchaser (i.e., resource provider), or third-party beneficiary	The customer (equivalent of resource provider)

Revenue from Transactions with Binding Arrangements – The Model

Identification of the compliance obligations in the binding arrangement is integral to the correct application of the accounting model for revenue with binding arrangements.



Recognition

An entity's binding arrangement must meet specific criteria to apply the binding arrangement accounting model: the approval and commitment by the parties to the respective obligations, identification of each party's rights and payment terms, economic substance, and probable collection of the entitled consideration.

At the inception of the binding arrangement, the entity must identify all compliance obligations in the binding arrangement. A binding arrangement has at least one compliance obligation.

Revenue is recognized at the amount allocated to a compliance obligation when (or as) the entity satisfies that compliance obligation. An entity shall determine the appropriate method to measure progress towards complete satisfaction of the compliance obligation.

IPSAS 47 also requires an entity to consider whether it shall recognize any right or obligation that meet definition of an asset or liability, respectively, and any costs of obtaining or fulfilling the binding arrangement.

Measurement

An entity measures revenue by determining the transaction consideration, which is the amount of resources to which an entity expects to be entitled for satisfying a compliance obligation. Determining the transaction consideration may be complex because of certain factors, such as variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to a resource provider.

The total transaction consideration is allocated to each individual compliance obligation identified in the binding arrangement, typically based on their relative stand-alone values. The stand-alone value is the price of a good or service that is required to be used internally or provided separately to a purchaser or third-party.

IPSAS 47 also provides measurement principles for any assets and liabilities in the revenue transaction.

Other Public Sector Considerations

IPSAS 47 includes guidance to help entities apply the revenue accounting principles to specific types of transactions that are prevalent in the public sector.

Additional Supporting Guidance

IPSAS 47 includes a substantial amount of additional guidance to support understanding and application of the principles. This includes new implementation guidance and detailed basis for conclusions, as well as a robust set of illustrative examples. In particular, the illustrative examples adapt examples from IFRS 15, using general fact patterns prevalent globally amongst public sector entities, to illustrate the application of the accounting principles to transactions that are both relevant and prevalent in the public sector.

Services In-Kind

IPSAS 47 permits, but does not require, entities to recognize services in-kind.

If recognized, entities are required to disclose qualitative and quantitative information about those services in-kind. If not recognized, entities are encouraged to disclose the qualitative information about the nature and types of services in-kind received, particularly if those services in-kind received are integral to the operations of the entity.

Compelled Transactions

In the public sector, there may be circumstances where an entity is compelled to satisfy a compliance obligation regardless of the resource provider's ability or intention to pay. IPSAS 47 includes additional guidance to help constituents with the recognition, measurement and disclosure of these transactions.

Capital Transfers

Capital transfers are an important aspect of the public sector. A **capital transfer** is defined as an inflow of cash or another asset that arises from a binding arrangement with a specification that the entity acquires or constructs a non-financial asset that will be controlled by the entity.

Since capital transfers arise from binding arrangements, an entity shall apply the binding arrangement accounting model to recognize and measure its revenue from the transaction. IPSAS 47 provides application guidance, implementation guidance, and illustrative examples to support entities in identifying and accounting for capital transfers.

Effective Date and Project History

The effective date of IPSAS 47 is January 1, 2026.



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The effective date of IPSAS 47 is January 1, 2026, with earlier application permitted.

The IPSASB selected this effective date because:

- (a) It allows public sector entities sufficient time to apply IPSAS 47, after applying other major pronouncements recently issued;
- (b) It strikes the balance from a public interest perspective, as the adoption of IPSAS 47 will address existing issues and challenges with the existing suite of revenue IPSAS; and
- (c) It allows public sector entities time to identify the impacts of and to prepare for the implementation of IPSAS 47.

Project History

To learn more about the project history, and to view the consultation documents and responses, please visit:

<https://www.ipsasb.org/consultations-projects/revenue>