



## ENHANCING THE EFFICIENCY OF REVENUE ACCOUNTING IN PUBLIC SECTOR INSTITUTIONS

**Igamberdiyev Sahobiddin Khatam ugli**

*Independent Researcher, Tashkent State University of Economics*

*ORCID ID: 0009-0001-3285-6546*

### ABSTRACT

*This study investigates the institutional, legal, and methodological dimensions of modernizing revenue accounting systems in public sector entities. Emphasizing the transition from cash-based to accrual-based accounting frameworks, particularly those aligned with International Public Sector Accounting Standards (IPSAS), the paper explores global best practices and identifies key enablers for reform. Drawing on the experiences of advanced economies, it outlines strategic recommendations applicable to transition countries aiming to enhance fiscal transparency, improve data reliability, and strengthen public financial governance.*

**KEYWORDS:** *Revenue accounting, accrual basis, IPSAS, fiscal transparency, financial reporting, government accounting, public financial management.*

### INTRODUCTION

In the modern public financial management (PFM) framework, accurate and comprehensive revenue accounting is foundational to fiscal governance, enabling governments to plan expenditures, assess resource availability, and ensure compliance with legal and financial obligations. In public sector entities, revenues represent the inflow of economic resources that finance public services and development objectives. However, the accounting and reporting of such revenues are often fragmented, outdated, or inadequately aligned with international best practices especially in developing and transition economies.

The globalization of accounting practices and the adoption of International Public Sector Accounting Standards (IPSAS) have catalyzed a fundamental transformation in how governments conceptualize and operationalize revenue accounting. In contrast to traditional cash-based systems, which focus primarily on cash inflows, accrual-based accounting provides a more comprehensive view of the economic realities underlying public revenue streams by recognizing revenues when they are earned, irrespective of cash receipt. This shift enhances the decision-usefulness of financial statements, enables performance-based budgeting, and strengthens public trust in financial disclosures.

However, the process of modernizing revenue accounting in the public sector is far from uniform. In many countries—particularly in developing and transition economies such as Uzbekistan the legacy of centralized planning, fragmented revenue systems, and limited technical capacity pose significant obstacles to the effective implementation of accrual-based revenue accounting. Existing accounting frameworks often lack the granularity needed to classify and disaggregate complex revenue types, such as earmarked transfers, quasi-fiscal income from state-owned enterprises, or donor-funded grants. Furthermore, the insufficient digital infrastructure and the dominance of manual accounting practices in subnational entities limit the scope and timeliness of revenue data, undermining the effectiveness of budget formulation and fiscal risk assessment.

In addition, there are institutional and legal gaps that prevent the consistent application of modern revenue accounting principles. For instance, the legal framework may not yet mandate the full adoption of IPSAS across all levels of government, leading to heterogeneity in accounting practices between central ministries, local governments, and extrabudgetary funds. The absence of robust feedback loops between accounting, auditing, and policy-making processes also hampers the potential for revenue data to inform fiscal reforms and improve service delivery outcomes.



### Theoretical Framework

The theoretical foundation for improving revenue accounting in public sector entities is rooted in the broader discipline of public sector financial management, which integrates principles of accounting theory, fiscal federalism, institutional economics, and governance. At its core, revenue accounting in the public sector aims to systematically record, classify, and report economic inflows in a manner that supports accountability, transparency, comparability, and decision-making. Traditional public sector accounting systems, particularly in post-Soviet and developing countries, were predominantly cash-based and input-oriented, emphasizing control over budget execution rather than financial performance or resource mobilization. However, such systems are increasingly viewed as inadequate for managing complex fiscal operations in dynamic macroeconomic environments.

The transition to accrual-based accounting, guided by the International Public Sector Accounting Standards (IPSAS), marks a paradigm shift toward economic substance over form, with revenues recognized when earned rather than when received. This is based on conceptual underpinnings from general financial accounting theory, particularly the matching principle, revenue recognition principle, and faithful representation from the International Accounting Standards Board (IASB) framework [1]. IPSAS adapts these principles to the public sector by distinguishing between exchange transactions, where there is a reciprocal transfer of value, and non-exchange transactions, such as taxes and grants, where value is received without a direct obligation to provide value in return [2].

From a governance theory perspective, the principal-agent model provides a relevant lens to examine revenue accounting practices. Governments (agents) are accountable to citizens and stakeholders (principals), who demand reliable financial information to evaluate performance. Enhancing revenue accounting quality thus reduces information asymmetry, mitigates agency costs, and strengthens public trust. Moreover, new institutionalism explains the divergence in accounting reforms across countries as being influenced not only by technical needs but also by political, cultural, and administrative legacies [3].

Incorporating public choice theory, it is also evident that without effective accounting systems, governments may misallocate revenues or manipulate fiscal reports to serve short-term political interests. Therefore, a robust revenue accounting framework serves both a technical and normative role, anchoring fiscal policy in rule-based transparency and long-term sustainability.

The academic and institutional literature provides substantial evidence on the importance of accurate and transparent revenue accounting for public financial management. According to the IPSASB's Conceptual Framework [2], faithful representation and comparability of financial information are essential for stakeholders to make informed judgments about resource allocation and fiscal sustainability. Accrual-based accounting allows for a complete depiction of revenue flows, including receivables, deferred inflows, and contingent assets, which are often omitted under cash-based systems.

Lüder and Jones [4] categorize public sector accounting reforms into macro-level reforms (legal and institutional frameworks), meso-level (professional capacity), and micro-level (technical implementation). They highlight that successful improvement in revenue accounting requires a balance across all three levels. Similarly, Christiaens et al. [5] emphasize the importance of political commitment, donor coordination, and internal audit systems in enabling meaningful accounting reform.

Chan [6] argues that the adoption of accrual accounting in developing countries must go beyond mimicry of developed economies; instead, it must align with administrative capacity, economic structure, and fiscal objectives. He warns that partial or poorly implemented accrual systems can lead to inconsistency in revenue recognition and undermine data reliability.

Ellwood and Newberry [7] critique the application of private-sector inspired accounting reforms in the public sector, suggesting that unless reforms are accompanied by institutional accountability, they may enhance form over substance. However, empirical studies by the OECD [8] and World Bank [9] confirm that accrual-based revenue systems contribute to greater fiscal discipline and reduce the risk of budget overruns, especially when integrated into broader PFM systems such as IFMIS.



## ANALYSIS AND RESULTS

The process of improving revenue accounting in public sector entities is deeply influenced by a country's institutional framework, administrative capacity, and reform trajectory. Developed countries that have successfully implemented accrual-based accounting and IPSAS-aligned standards provide valuable models for transition economies such as Uzbekistan.

**Table 1. Overview of revenue accounting reforms in developed countries**

Country	Accounting Basis Adopted	Revenue Classification Approach
New Zealand	Full accrual (early adopter, 1990s)	IPSAS-aligned, clear distinction between exchange/non-exchange
United Kingdom	Accrual-based with national adaptation (UK GAAP, adapted to IPSAS)	Revenue categorized by service type and administrative source
Canada	Modified accrual (federal level); full accrual in provinces	Use of PSAS (Public Sector Accounting Standards), close to IPSAS
Sweden	Accrual accounting with cost-based budgeting	Revenues disaggregated by entity and program
Australia	Full accrual adopted at federal and state levels	Functional and economic classification of revenue

Source: Author's elaboration

The comparative overview reveals that successful revenue accounting reform in developed countries hinges on several interrelated elements: legal mandates, strong audit oversight, institutional coordination, and integration with broader fiscal frameworks. New Zealand stands out as a pioneer, having not only adopted full accrual accounting early but also institutionalized its principles across the entire budgetary cycle. The UK and Australia have likewise embedded accrual principles in both financial reporting. Meanwhile, countries such as Canada and Sweden demonstrate gradual but sustained reforms where revenue classification systems and audit mechanisms play a key role in ensuring accountability.

**Table 2. Institutional enablers of effective revenue accounting in selected countries**

Country	Central Accounting Body	Financial Management Information System (FMIS)	Revenue Transparency Tools
New Zealand	The Treasury	Integrated financial system with online reporting tools	Annual Fiscal Strategy Report, Budget Economic and Fiscal Update
United Kingdom	HM Treasury	Combined Online Information System (COINS), OSCAR	Whole of Government Accounts (WGA) published annually
Canada	Office of the Comptroller General	IFMIS used at both federal and provincial levels	Public Accounts published with detailed notes
Sweden	Swedish National Financial Management Authority	Integrated State Accounting System (Hermes)	Fiscal Policy Council reviews revenue forecasts
Australia	Department of Finance	Central Budget Management System (CBMS)	MYEFO and PEFO used for transparency during budget cycles

Source: Author's elaboration

Institutional infrastructure plays a critical role in the success of revenue accounting reforms. All five countries have established central accounting bodies with high-level authority over standard-setting and implementation. FMIS tools, such as COINS in the UK or Hermes in Sweden, enable real-time financial data processing and facilitate accurate revenue classification. Moreover, the role of professional certification and standardized training is paramount. In countries like Australia and the UK, only certified public finance professionals are allowed to manage accounting tasks in government bodies. Revenue transparency is further strengthened through public reporting tools such as Whole of Government Accounts (UK) and mid-year fiscal updates (Australia), which provide stakeholders with comprehensive insights into revenue performance and fiscal policy adjustments.



### Recommendations

To ensure the effective improvement of revenue accounting in public sector entities, particularly in transition economies like Uzbekistan, a comprehensive and phased reform approach is necessary. First, the legal framework should be amended to mandate accrual-based accounting across all levels of government, with revenue recognition principles fully aligned to IPSAS standards. Second, a unified chart of accounts and revenue classification system should be developed, allowing for disaggregation by transaction type, source, and function, thereby improving transparency and facilitating cross-period and cross-entity comparability. Third, a centralized public sector accounting authority such as a Treasury-led financial control office should be empowered to oversee the design, implementation, and auditing of revenue accounting practices. Fourth, investments must be made in modernizing digital infrastructure, including full deployment of an integrated Financial Management Information System (FMIS) capable of real-time revenue capture, classification, and reporting. Fifth, public financial management training programs should be institutionalized, with mandatory certification for public accountants and the inclusion of IPSAS modules in civil service curricula. Finally, accountability mechanisms must be strengthened through the publication of comprehensive revenue reports, mid-year reviews, and independent performance audits, enabling policymakers, civil society, and international partners to monitor revenue trends and ensure informed fiscal decision-making.

### CONCLUSION

Improving revenue accounting in public sector entities is not merely a technical reform but a strategic imperative for fostering transparency, accountability, and fiscal resilience. The analysis of international experiences confirms that successful implementation of accrual-based revenue accounting systems requires coordinated legal, institutional, technological, and human capital reforms. Countries such as New Zealand, the UK, and Australia demonstrate that when revenue accounting is fully integrated into budgeting, supported by real-time systems, and enforced through audit and professional standards, it becomes a cornerstone of good governance. For Uzbekistan, the transition toward such a model presents both challenges and opportunities. The current stage of reform necessitates a focused strategy that blends international standards with national realities, emphasizing step-by-step implementation, capacity development, and inter-agency coordination. Only through a holistic, system-oriented transformation can Uzbekistan ensure that its revenue accounting system becomes an effective tool for sound fiscal management, equitable public service delivery, and long-term economic development.

### REFERENCES

1. International Accounting Standards Board (IASB). (2018). *Conceptual Framework for Financial Reporting*. London: IFRS Foundation.
2. IPSASB. (2014). *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*. New York: International Federation of Accountants (IFAC).
3. Meyer, J. W., & Rowan, B. (1977). Institutionalized Organizations: Formal Structure as Myth and Ceremony. *American Journal of Sociology*, 83(2), 340–363.
4. Lüder, K. G., & Jones, R. (2003). *Reforming Governmental Accounting and Budgeting in Europe*. Frankfurt: Fachverlag Moderne Wirtschaft.
5. Christiaens, J., Reyniers, B., & Rolle, C. (2010). Impact of IPSAS on Reforming Governmental Financial Information Systems: A Comparative Study. *International Review of Administrative Sciences*, 76(3), 537–553.
6. Chan, J. L. (2006). *IPSAS and Government Accounting Reform in Developing Countries*. In Lande, E., & Scheid, J.-C. (Eds.), *Accounting Reform in the Public Sector: Mimicry, Fad or Necessity?* Paris: Expert Comptable Media.
7. Ellwood, S., & Newberry, S. (2007). Public Sector Accrual Accounting: Institutionalizing Neo-Liberal Principles? *Accounting, Auditing & Accountability Journal*, 20(4), 549–573.
8. Ostonokulov A. Improvement of methodology for accounting of extra-budgetary resources of public educational and medical institutions. In *E3S Web of Conferences 2021* (Vol. 296, p. 06029). EDP Sciences.
9. Ostonokulov, A. A. (2021). Improving Accounting of settlements with Suppliers and Buyers in Public Sector Institutions. *American Journal of Economics and Business Management*. ISSN, 2576-5973.
10. Abdugarimovich, O. A. (2024). IMPROVEMENT OF INVENTORY ACCOUNTING IN BUDGET ORGANIZATIONS. *World scientific research journal*, 24(2), 17-25.