

Navigating Revenue Recognition in Multi-Service Contracts: Insights from Zimbabwean Security Firms

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Abstract

Revenue recognition is a multifaceted and pervasive area of financial reporting, particularly in service industries whose operations are characterised by bundled contracts and variable pricing structures. This study examines how IFRS 15 -Revenue from Contracts with Customers- is being implemented within Zimbabwe's private security sector, focusing on how firms interpret and apply the standard's five-step revenue recognition model. While International Financial Reporting Standards exist to improve transparency, Zimbabwean security firms have unique struggles with revenue recognition. The multi-currency regime which ultimately leads to dual pricing systems make translating transactions under IAS 21 tricky and high inflation which then requires IAS 29 adjustments. These economic realities, coupled with regulatory challenges, make reporting multi-service contracts far from straightforward. The study assesses compliance levels and explores practical difficulties in identifying performance obligations, allocating transaction prices, and recognizing revenue. Grounded in Revenue Recognition Theory and Institutional Theory, the research highlights technical factors influencing IFRS 15 application. Employing a mixed-methods approach, data was collected through structured questionnaires, document reviews, and audit reports from selected security. Results indicate that over 75% of firms fail to properly disaggregate bundled services, resulting in misstated revenues and audit discrepancies, while multi-currency billing, inflation reporting and outdated systems further hinder adherence. The study concludes that although IFRS 15 enhances financial transparency, effective implementation in Zimbabwe's private security industry requires targeted staff training, system modernization, and sector-specific guidance.

Key words: Revenue recognition, IFRS 15, Multi-service contracts, Compliance challenges

Introduction

While IFRS 15 is not a new standard—having been issued by the International Accounting Standards Board (IASB) in 2014 and made effective in January 2018 (IASB (2014); IFRS Foundation (2018)—its application continues to generate interpretational and application challenges within the evolving private security industry. The standard provides a logically structured five-step model for revenue recognition; however, the environment in which it ought to be operationalised has significantly transformed. Conventional security contracts are quite straightforward, identifiable and mostly, billed at fixed monthly rates, making measurement and existence uncertainty a none-issue. In contrast, recent industry developments indicate a shift toward integrated and technology-driven security solutions, including AI-enabled surveillance, remote monitoring centres, cloud-based reporting systems, biometric access control, and drone patrol services (Allied Market Research, 2023; MarketsandMarkets, 2022). These innovations have resulted in hybrid and cocktail contracts that combine physical security, digital services, equipment installation, maintenance, and performance-based pricing all within a single agreement.

Background of the study

While IFRS 15 remains conceptually applicable, but these severally-layered and continuously evolving service arrangements complicate the recognition of distinct performance obligations, measurement of variable consideration, and ultimately recognition of revenue. Thus, the challenges are not resultant of the insufficiency of IFRS 15 (Mudzonga & Madzivanyika, 2021; KPMG, 2021) but rather the innovations in the security industry that calls for heightened professional judgement and robust internal systems for consistent compliance. Non-compliance can affect financial statement reliability, audit outcomes, and investor confidence. The private security industry has expanded globally over the past three decades, increasingly supplementing or substituting public policing functions in both developed and developing economies (Button and George, 2020; Prenzler and Sarre, 2012). In many African contexts, including Southern Africa, the growth of private security services has been associated with urbanisation, economic liberalisation, rising crime perceptions, and constraints in public law enforcement capacity (Abrahamsen and Williams, 2011).

In Zimbabwe, the private security sector represents a significant component of the formal service economy. Although up-to-date consolidated regulatory statistics remain limited, the industry's structure is reportedly fragmented and includes large, long-established firms as well as numerous small and medium-sized enterprises all offering conventional, and specialised services. While this diversification enhances operational efficiency and value creation, it introduces greater contractual and financial reporting complexity.

In volatile economic environments such as Zimbabwe's contracts involve foreign currency components, price indexation clauses, and/or renegotiation due to macroeconomic shifts rendering the operationalisation of IFRS 15 particularly complex.

Statement of the problem

While IFRS 15 approach is meant to provide a structured and systematic approach to recognition and measurement of revenue, evolved security service contracts that bundle ongoing monitoring, response services, hardware, usage-based services and contingent fees create interpretation, measurement, and recognition challenges under IFRS 15. These multi-option provisions in the contracts delivered over varying timeframes often include tiered service levels, add-on technology modules, periodic upgrades, performance bonuses, penalty clauses, and customer-controlled service adjustments. Many of these services are interdependent—for example, remote monitoring only has value if on-site guards are present. IFRS 15's five-step model therefore presents measurement and recognition uncertainties in the revenue from these complex contracts (Synder, 2023; BDO, 2018). Identifying and separating multiple distinct performance obligations, estimating variable consideration, and allocating transaction prices based on stand-alone selling prices often require judgment and introduce uncertainty in revenue patterns. These complexities make it difficult to identify distinct performance obligations, allocate transaction prices, and determine when control transfers.

Research objectives

In order to be able to examine the practical implementation of IFRS 15 revenue recognition in multi-service contracts within Zimbabwean security firms, the following objectives were developed;

- To assess the extent of IFRS 15 adoption and compliance in Zimbabwean security companies;
- To analyse how firms identify and account for distinct performance obligations in bundled service contracts;
- To identify key revenue recognition challenges arising from complex service bundles, variable consideration, and conditional contract clauses.

Significance of the study

Scholarly and professional debates such as KPMG, 2021; PwC, 2022 have largely focused on the IFRS 15's implications for complex, multi-component contracts, in service-oriented sectors. However, much of this debate has concentrated particularly on telecommunications, construction, and technology sectors, with limited sector-specific evidence from private security firms, particularly within developing economies such as Zimbabwe. This study therefore addresses a critical gap by investigating how private security firms in Zimbabwe recognise revenue under IFRS 15 in the context of technology-integrated service offerings and economic volatility. In doing so, it contributes to emerging market accounting scholarship and extends sector-specific analysis within the private security literature.

Literature review

While the benefits of IFRS 15 as intended by IASB (2018) have been widely acknowledged, empirical studies present a more nuanced and sometimes critical perspective on its practical implementation. EFRAG (2024) argues that although disclosures have improved in many jurisdictions, preparers continue to struggle with identifying distinct performance obligations and estimating variable consideration. The evidence presented is substantial but largely based on post-implementation reviews in developed markets, which limits its relevance to emerging economies with weaker institutional infrastructures.

Palea and Panteghini (2020), M'mbololo (2020), Palea and Panteghini (2020), KPMG (2025), Erasmus University (2022), Govender (2023) all contend that bundled service contracts complicate the identification of performance obligations, particularly where services are interdependent. Their reasoning is analytically persuasive; however, their evidence is primarily European, leaving questions about applicability in high-volatility economies such as Zimbabwe. Likewise, KPMG (2025) describes estimation of standalone selling prices as a

key implementation challenge when observable market prices are absent. While the analysis is technically robust, it reflects practitioner commentary rather than peer-reviewed empirical testing.

Economic volatility further intensifies application challenges. Research from Erasmus University (2022) asserts that inflationary pressures distort transaction price estimation and encourage conservative revenue recognition practices. The study logically links macroeconomic instability to accounting judgement, yet the evidence is regionally broad and not tailored to security-sector operations.

Within the private security industry, empirical literature remains sparse. Security firms typically operate through integrated contracts combining guarding, alarm monitoring, equipment installation, and maintenance services. These contracts often include performance-based clauses, penalties, and scope modifications. Although prior studies acknowledge that bundled arrangements create allocation difficulties, the evidence remains limited and unconnected to the specific institutional realities of Zimbabwe. Consequently, while the broader literature recognises IFRS 15's technical demands, it insufficiently addresses how multi-service security contracts generate measurement and recognition uncertainty in emerging markets.

Theoretical Framework

This study draws on Revenue Recognition Theory and Institutional Theory to interpret IFRS 15 implementation within Zimbabwean security firms.

Revenue Recognition Theory

Revenue Recognition Theory provides the conceptual foundation for determining when revenue should be recorded to achieve faithful representation. However, in the context of multi-service security contracts, Revenue Recognition Theory highlights tensions between conceptual clarity and operational feasibility. Thus, while the theory supports IFRS 15's objectives, empirical realities may undermine its consistent application.

Institutional Theory

Institutional Theory explains organisational behaviour in response to regulatory and normative pressures (DiMaggio & Powell, 1983). The theory argues that firms adopt formal structures not solely to improve efficiency but to gain legitimacy. This perspective is particularly relevant in developing economies, where IFRS adoption may signal credibility to investors and regulators. Albu et al. (2013) further argue that IFRS implementation in emerging markets is often ceremonial rather than substantive. Their evidence suggests that compliance may be externally motivated rather than internally embedded. Institutional Theory therefore complements Revenue Recognition Theory by explaining why firms may adopt IFRS 15 formally while struggling with operational integration. The combined theoretical lens enables examination of both technical application and institutional drivers of compliance behaviour.

Research Gap

The literature consistently portrays IFRS 15 as conceptually rigorous yet practically challenging. Global studies provide substantial evidence of implementation difficulties, particularly regarding performance obligations, variable consideration, and contract modifications. However, this evidence is largely derived from developed economies with relatively stable institutional frameworks.

Regional African studies describe partial compliance and capacity constraints but rarely examine the micro-level contractual structures that create recognition uncertainty. Moreover, existing Zimbabwean research tends to address IFRS adoption broadly rather than interrogating IFRS 15 in sector-specific contexts.

Critically, the private security industry remains underexplored. Security firms operate through multi-layered contracts characterised by bundled services, conditional pricing mechanisms, technology integration, and frequent modifications. These contractual features logically intensify judgement requirements under IFRS 15. Yet empirical evidence examining how such features affect measurement, allocation, and timing of revenue recognition in Zimbabwe is limited and fragmented.

Furthermore, prior studies seldom integrate technical revenue recognition challenges with institutional explanations of compliance behaviour. As a result, the interaction between contractual complexity and regulatory capacity remains insufficiently theorised.

This study addresses these gaps by providing sector-specific empirical evidence on IFRS 15 implementation within Zimbabwean private security firms. By integrating Revenue Recognition Theory and Institutional Theory, it seeks to examine not only whether firms comply, but how contractual structures and institutional pressures shape revenue recognition practices. In doing so, the study contributes to emerging market accounting literature and offers practical insights into the operationalisation of IFRS 15 in contract-intensive service industries.

Research Methodology

Situated within a pragmatic research philosophy, this study adopts a deductive research approach and operationalises a mixed-methods cross-sectional research design to evaluate IFRS 15 compliance within Zimbabwe's private security sector. The pragmatic stance permits methodological flexibility by prioritising practical solutions to real-world revenue recognition challenges, while the deductive approach enables the testing of theoretically grounded expectations derived from IFRS 15. The mixed-methods cross-sectional design allows for the simultaneous collection and integration of quantitative and qualitative data at a single point in time, thereby providing both measurable patterns and contextual insights into bundled services, variable consideration and contract modifications.

Population and Sample

The target population comprised approximately 1,050 employees in licensed Zimbabwean private security companies who are directly involved in revenue recognition, including finance managers, accountants, internal auditors and contract administrators. IASB, (2014) considers these roles as central to interpreting and applying IFRS 15 in service environments characterised by bundled contracts and ongoing obligations.

The sampling frame was developed from regulatory and industry registers of licensed firms. A combination of stratified and purposive sampling was employed. Stratification by firm size and service type ensured sectoral representation, while purposive selection targeted respondents with direct technical knowledge of IFRS 15 implementation. This approach aligns with applied organisational research guidance (Creswell and Plano Clark, 2018).

Sample size was determined using the Raosoft formula to ensure statistical reliability:

$$n = \frac{N \cdot Z^2 \cdot P(1 - P)}{E^2(N - 1) + Z^2P(1 - P)}$$

Where:

- N = 1,050 (population size)
Z = 1.645 (90% confidence level)
P = 0.5 (maximum variability)
E = 0.0762 (margin of error)

The calculation yielded approximately 100 respondents. To accommodate potential non-response and logistical constraints, the final target sample was increased to 105 respondents, consistent with guidance on practical survey administration (Saunders et al., 2019).

Data collection

Primary data were collected via a structured anonymised questionnaire, primarily to identify practical challenges in IFRS 15 compliance, while also gathering quantitative and limited qualitative information on revenue streams, contract modifications, revenue policies, system readiness, and audit oversight. Content validity was ensured through expert review, and a pilot test that informed refinements before full deployment. Participants were recruited via professional networks and industry directories, limited to individuals directly involved in financial reporting and audit functions.

Data Analysis Techniques

Data was analysed using SPSS with a two-tiered approach. Descriptive statistics summarised demographics and revenue recognition practices, including multi-service contract prevalence, contract modifications, and system adequacy. Inferential analysis examined links between contract complexity and revenue recognition risk using regression analysis with robust standard errors; outliers were detected via standardised residuals and Mahalanobis distance, and principal component analysis addressed multicollinearity. Qualitative data were thematically analysed and integrated with quantitative findings at the interpretation stage to triangulate evidence, contextualising patterns such as rising audit adjustments alongside system limitations and IFRS training gaps, enhancing analytical robustness.

Response Rate

A response rate of 87.6% was achieved. Of the 105 questionnaires distributed across seven security firms, 92 were returned. Responses were reviewed for completeness and consistency,

with incomplete questionnaires excluded, outliers checked, and errors cross-validated to ensure accurate and reliable data for analysis.”

Data was collected from finance managers, chief accountants, internal auditors, and compliance officers across seven firms, selected for their direct involvement in financial reporting and revenue recognition.

Findings

Interpretation and Implementation of IFRS 15

Respondents evaluated their firms’ compliance with the five-step IFRS 15 model: contract identification, performance obligations, transaction price determination, allocation of price, and revenue recognition. Using a five-point Likert scale, descriptive statistics revealed variable implementation across steps

- **Highest compliance:** Contract identification (Mean = 4.12, 84.7% agreement) and revenue recognition (Mean = 4.06, 81.5%).
- **Lower consistency:** Performance obligations separation (Mean = 3.88, 76.1%) and transaction price allocation (Mean = 3.63–3.71, 66–71%).

These results indicate awareness of IFRS 15 requirements, but practical execution is uneven, particularly in bundled service contracts requiring precise performance obligation identification and transaction price allocation.

Operational and Technical Barriers

Respondents assessed systems, guidance structures, and challenges in applying IFRS 15. Mean scores for process structure, guidance clarity, and system support were 3.2 (58%), 3.4 (61%), and 2.9 (47%), respectively, highlighting moderate process maturity but inadequate system support, especially in multi-service contract environments as shown in table 1 below;

Table 1: System and Process Ratings

Assessment area	Mean score	% rated adequate
Process structure	3.2	58%
Guidance clarity	3.4	61%
System support	2.9	47%

Key implementation challenges ranked by respondents include:

1. Identifying distinct performance obligations (38%)
2. Estimating variable consideration (22%)
3. Determining control transfer (18%)
4. Allocating transaction price (12%)
5. Lack of staff training (10%)

Limited system automation, unstructured contract handling, and insufficient IFRS 15 expertise emerged as critical barriers. Only 67% had received formal IFRS 15 training, and 47% rated their system support as adequate, suggesting misalignment between policy and practice.

Extent of Compliance

Overall compliance was assessed via perceptions of effectiveness, audit oversight, and practical challenges.

Table 2: Overall Effectiveness of IFRS 15 Implementation

Rating Category	Frequency	%
Very effective	18	19.6
Effective	32	34.8
Moderately effective	28	30.4
Ineffective	10	10.9
Very ineffective	4	4.3

Based on the results, 54.4% rated implementation as effective or very effective. While firms demonstrate moderate to strong compliance in principle, operational execution is constrained

by system limitations, manual processes, and inconsistent internal review, posing risks for audit and financial reporting accuracy.

Summary of Major Findings

The study revealed that IFRS 15 compliance in Zimbabwean private security firms is moderate, with many companies demonstrating partial adherence, particularly in revenue recognition timing and disclosure practices. Full implementation of the five-step revenue recognition model remains limited, largely due to system constraints and insufficient technical expertise.

While firms generally understand contract identification and revenue recognition timing, challenges persist in identifying distinct performance obligations, allocating transaction prices accurately, and estimating variable consideration in multi-service contracts. These operational and technical difficulties are compounded by frequent contract modifications, variable pricing structures, and ambiguities around the timing of control transfer to customers.

Non-compliance and misapplication of IFRS 15 were found to affect financial statement reliability and audit outcomes. Firms with weak implementation practices faced increased audit adjustments and lower stakeholder confidence, whereas those with formal revenue policies and internal controls exhibited stronger reporting quality. The study further noted that limited system automation and fragmented documentation exacerbate these compliance challenges, particularly in multi-service contract environments where precision in performance obligation mapping is essential.

Conclusions

Based on the findings, several conclusions can be drawn:

Awareness vs. Implementation:

Although most firms are aware of IFRS 15 principles, practical implementation remains partial. Companies tend to apply basic elements such as revenue recognition timing but struggle with technical aspects like performance obligation identification and transaction

price allocation. Limited system integration and lack of sector-specific guidance further hinder compliance.

Impact on Financial Reporting:

Partial or inconsistent application of IFRS 15 correlates with reduced financial statement reliability. Firms that fail to document contracts or separate bundled services are more likely to receive qualified audit opinions and experience lower stakeholder trust.

1. **Operational and Technical Challenges:** Contract modifications, variable pricing, and timing of customer control are the most difficult areas in revenue recognition. Manual accounting systems and unstructured contract processes further limit compliance, increasing audit risks.
2. **Training and Regulatory Gaps:** Only 67% of respondents had formal IFRS 15 training, and regulatory guidance is limited, resulting in inconsistent interpretations and misapplication. Targeted interventions by regulators, professional bodies, and audit firms are needed to support proper implementation.

In summary, IFRS 15 compliance in Zimbabwean private security firms is moderate in principle but limited in practice, with multi-service contracts, system limitations, and staff capacity as the main constraints.

Recommendations

Based on the study's findings, the following recommendations are proposed to enhance IFRS 15 compliance and strengthen financial reporting:

Strengthen Technical Capacity

Companies, professional accounting bodies, and regulatory authorities should organize targeted training and workshops on IFRS 15. Emphasis should be placed on the five-step revenue recognition model, particularly performance obligation identification, transaction price estimation, and contract modification handling, tailored to the security sector's service structures.

Develop Sector-Specific IFRS 15 Guidance

The Public Accountants and Auditors Board (PAAB) should produce practical guidance notes for the security sector, including illustrative contract analysis templates, standardised disclosures, and case studies to support consistent application of the standard.

Invest in Automated Revenue Recognition Systems

Companies should adopt accounting software with built-in revenue recognition modules to improve audit trails, support contract tracking, and map performance obligations in real time. Where full automation is not feasible, structured spreadsheets and internal controls should be implemented to standardize revenue recognition procedures and minimize errors.

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