



Financial Reporting Council

FRS Factsheet 14

UK GAAP for
Public Benefit Entities

October 2026

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1. Introduction

- 1.1 The FRC's overriding objective in developing financial reporting standards is to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users' information needs. The FRC's 'main' accounting standard is FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. Explanations of general issues relating to the development of the standard and overarching issues affecting the whole standard are set out in Part A of the Basis for Conclusions to FRS 102.¹
- 1.2 Sector-specific considerations are reflected in various parts of the standard; those sectors include public benefit entities (PBEs).
- 1.3 The purpose of this factsheet is to summarise the ways in which PBEs, including but not limited to charities, have been considered by the FRC in developing the extant UK and Ireland financial reporting standards. The factsheet also discusses the role of Statements of Recommended Practice (SORPs), and summarises how the recently issued International Non-Profit Accounting Standard (INPAS) differs from FRS 102.
- 1.4 This factsheet is intended to help stakeholders understand better the financial reporting requirements that apply to PBEs in the UK and Ireland.

¹ <https://www.frc.org.uk/library/standards-codes-policy/accounting-and-reporting/uk-accounting-standards/frs-102/>

2. The accounting standards applicable to Public Benefit Entities (PBEs)

- 2.1 UK Generally Accepted Accounting Practice (UK GAAP) is part of the financial reporting landscape in the UK and Ireland. Reporting entities of a wide variety of sizes and legal forms are subject to a range of legislation and regulation which governs the type of financial reporting they are required to prepare. For some entities this can be a complex landscape.
- 2.2 FRS 102 is available for the preparation of financial statements which give a true and fair view.
- 2.3 The FRC does not determine:
- a) which entities are required to produce financial statements; or
 - b) whether those financial statements are required to give a true and fair view.
- 2.4 For UK companies, company law specifies that accounts must give a true and fair view.² Accounts may be prepared either in accordance with UK-adopted international accounting standards (IAS) (also referred to as 'adopted IFRS') or, in effect, UK GAAP.³ Most companies have a free choice between these two frameworks, although:
- a) consolidated financial statements prepared by a company listed on a UK regulated market must be prepared in accordance with adopted IFRS; and
 - b) a charity may not apply adopted IFRS.
- 2.5 Charity law specifies the requirements for charities.⁴ Below a certain threshold, a non-company charity is permitted to prepare 'receipts and payments' accounts. A non-company charity above that threshold, or a charity of any size that is a company, is required to present a true and fair view. Because legal restrictions prevent the use of adopted IFRS or of FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*, FRS 102 is applied by all charities that do not prepare 'receipts and payments' accounts.
- 2.6 Other legal and regulatory requirements apply to entities of other legal forms, which may include PBEs: for example, entities registered under the *Co-operative and Community Benefit Societies Act 2014*. In each case, if the entity is required to produce accounts that give a true and fair view (and it is not required to apply adopted IFRS), FRS 102 is available.
- 2.7 In a number of sectors, including some PBE sectors, Statements of Recommended Practice (SORPs) provide guidance on the application of FRS 102 (see section 5).

² *Companies Act 2006* s393(1).

³ *Companies Act 2006*, s395. The Act does not refer directly to UK GAAP but in practice, companies needing to give a true and fair view in accordance with the Act and not applying adopted IFRS will apply UK GAAP.

⁴ See paragraph A3.42 of Appendix III *Note on legal requirements* to FRS 102.

- 2.8 Section 1A *Small Entities* of FRS 102 provides reduced disclosure requirements for small entities. Section 1A was written in the context of the legal framework for companies, but specifically includes in its scope non-companies which would have met the small company criteria had they been companies. However, other authorities can narrow the options available under FRS 102: for example, the Charities SORP disappplies Section 1A and requires all charities that apply FRS 102 to apply the provisions for medium-sized or large entities.
- 2.9 The following table shows a *conceptual* comparison between the different financial reporting regimes made available for companies under UK GAAP, and the requirements for charities. Financial thresholds and other eligibility criteria are not comparable.⁵

Basis	Company size	Reporting regime available to a (non charity) company	Charity size	Reporting regime available to a charity
Accrual based	Large	'Full' FRS 102	Above the receipts and payments threshold and/or a company	'Full' FRS 102, applied with the SORP
	Medium-sized	'Full' FRS 102		
	Small	FRS 102 with special provisions for small entities (Section 1A)		
	Micro	FRS 105 (reduced disclosure and simplified recognition and measurement for micro-entities)		
Cash based	N/A	N/A	Below the receipts and payments threshold and not a company	Receipts and payments accounts

⁵ Depending on legal form and individual facts and circumstances, PBEs other than charities would typically apply FRS 102, with Section 1A available to those meeting the criteria.

3. Public Benefit Entities (PBEs)

What is a PBE?

3.1 A PBE is defined in FRS 102 as:

“An entity whose primary objective is to provide goods or services for the general public, community or social benefit and where any equity is provided with a view to supporting the entity’s primary objectives rather than with a view to providing a financial return to equity providers, shareholders or members.”

3.2 A footnote provides further clarity:

“The term ‘public benefit entity’ does not necessarily imply that the purpose of the entity is for the benefit of the public as a whole. For example, many PBEs exist for the direct benefit of a particular group of people, although it is possible that society as a whole also benefits indirectly. The important factor is what the primary purpose of such an entity is, and that it does not exist primarily to provide economic benefit to its investors. Organisations such as mutual insurance companies, other mutual co-operative entities and clubs that provide dividends or other economic benefits directly and proportionately to their owners, members or participants are not PBEs.

“Some PBEs undertake certain activities that are intended to make a surplus in order to fund their primary activities. Consideration should be given to the primary purpose of an entity’s (or group’s) activities in assessing whether it meets the definition of a PBE.

“PBEs may have received contributions in the form of equity, even though the entity does not have a primary profit motive. However, because of the fundamental nature of public benefit entities, any such contributions are made by the equity holders of the entity primarily to enable the provision of goods or services to beneficiaries rather than with a view to a financial return for themselves. This is different from the position of lenders; loans do not fall into the category of equity.”

3.3 It is important to note that PBEs are not synonymous with charities. An entity can meet the definition of a PBE without being a charity; this is likely to be the case for a number of PBEs. Although less likely, some charities – such as some co-operatives – may not meet the definition of a PBE.

What about co-operatives?

- 3.4 Co-operatives do not meet the definition of a PBE because they exist to provide economic benefits to their members, rather than to the public.⁶
- 3.5 Co-operatives therefore do not apply the PBE-specific provisions of FRS 102. Some co-operatives may be in scope of a SORP (e.g. the Charities SORP). However, there is currently no SORP specifically for co-operatives and/or mutuals.
- 3.6 Accordingly, when a co-operative applies FRS 102 it applies the same requirements as any other non-PBE, with one exception: paragraph 22.6 was written specifically for co-operatives, in order to reflect the substance of a particular sector-specific transaction:
- “Members’ shares in co-operative entities and similar instruments are equity if:
- (a) the entity has an unconditional right to refuse redemption of the members’ shares; or
 - (b) redemption is unconditionally prohibited by local law, regulation or the entity’s governing charter.”

⁶ FRS 102 *Glossary*, footnote to definition of ‘public benefit entity’

4. How extant FRS 102 includes Public Benefit Entities (PBEs)

The FRC's approach

- 4.1 FRS 102 is written for the very wide range of reporting entities in the UK and Ireland that are required to prepare financial statements which give a true and fair view, but which do not (for whatever reason) apply adopted IFRS. The population of entities eligible to apply FRS 102:
- a) is large (approximately 3.5 million);
 - b) is diverse in terms of size (from the very smallest micro-entities to the very largest private companies and, following the August 2026 changes to the AIM rules, UK-incorporated AIM companies);
 - c) is diverse in terms of legal form (companies, LLPs, charities, building societies, friendly societies, credit unions, co-operative and community benefit societies, pension schemes and more); and
 - d) operates in a wide range of sectors applying a wide range of business models.
- 4.2 The FRC, through its standard-setting, applies consistent principles to account for similar transactions, even if the entities entering into those transactions are dissimilar. The FRC has generally taken the view that the information required to give a true and fair view is determined by the information needed by users to understand the nature of a transaction or balance, rather than by the identity of the reporting entity. For example – all else being equal – there is no reason why the accounting for a contract to sell goods, or to lease a building, should differ depending on whether the reporting entity is a small company, a large company, a charity, or of another form. (It may, of course, be the case that a smaller or simpler entity enters into fewer or simpler transactions.)
- 4.3 As a result, a PBE is generally expected to account for any given transaction in the same way as a non-PBE would account for the same transaction. Of course, PBEs also enter into transactions that a non-PBE would not enter into. Many of the PBE-specific provisions in FRS 102 provide requirements or concessions for transaction types which non-PBEs would not be expected to participate in, such as PBE combinations or the receipt of non-exchange income from non-government benefactors.
- 4.4 The FRC appreciates the importance of proportionality and has sought to embed proportionate solutions throughout its suite of financial reporting standards and particularly within FRS 102. This has included providing clear and/or simplified solutions for transactions that only PBEs are expected to engage in, and a limited number of simplifications specifically for PBEs when the FRC has been able to justify doing so.

- 4.5 This approach enables the FRC to continue to promote:
- a) its overriding objective in developing financial reporting standards: to enable users of accounts to receive high-quality understandable financial reporting proportionate to the size and complexity of the entity and users' information needs; and
 - b) its aim to provide succinct financial reporting standards that, amongst other things, balance consistent principles for accounting by all UK and Republic of Ireland entities with proportionate and practical solutions, based on size, complexity, public interest and users' information needs.
- 4.6 As set out below, the development of the PBE-specific provisions in FRS 102 reflects significant deliberation over many years.

The development of FRS 102

- 4.7 Whenever the FRC has become aware of a prevalent PBE-specific issue, it has considered the issue carefully to establish an appropriate solution.
- 4.8 In June 2007 the Accounting Standards Board (ASB; a former part of the FRC) issued *Statement of Principles for Financial Reporting: Interpretation for Public Benefit Entities*. This had been developed from a discussion paper in May 2003 and an exposure draft in August 2005. This *Interpretation* was the source of some of the PBE-related matters later incorporated into FRS 102, such as funding commitments.
- 4.9 In August 2009 the ASB issued Consultation Paper *Policy Proposal: The Future of UK GAAP*. The consultation paper proposed that as part of the development of 'New UK GAAP', a financial reporting standard would be written specifically for PBEs. This proposal advanced, with the publication by the ASB of FRED 45 *Financial Reporting Standard for Public Benefit Entities* in March 2011. FRED 45 proposed a PBE-specific overlay that would have applied in addition to the general-purpose standard (which became FRS 102). However, by January 2012, and following stakeholder feedback, the ASB had decided to include the requirements for public benefit entities in draft FRS 102 (FRED 48), apparently to avoid confusion about when to apply the PBE-specific requirements and when to apply the general standard⁷. The overlay approach was, however, applied to accounting for insurance contracts, with FRS 103 *Insurance Contracts* providing specific additional requirements and guidance to be applied alongside FRS 102.
- 4.10 FRS 102 was based on the International Accounting Standard Board's (IASB) *IFRS for SMEs*® Accounting Standard, with significant modification to reflect the broader range of entities to which it is available, including PBEs.

⁷ Refer to paragraph 1.18(m) of [The Future of Financial Reporting in the UK and Republic of Ireland – Part One: Explanation \(2012\)](#) and Summary paragraph (x) of [FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland \(March 2013\)](#)

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- 4.11 When the FRC first issued FRS 102, in March 2013, it published the advice of its Accounting Council, which included information about the evolution of the PBE provisions. Some of this advice remains as part of the Basis for Conclusions to the modern standard. The Accounting Council noted that the 2009 consultation paper had set out 10 issues that could be included in a PBE-specific standard, which had subsequently been refined to six issues which were addressed in FRS 102:
- a) Concessionary loans;
 - b) Property held for the provision of social benefits;
 - c) Entity combinations;
 - d) Impairment of assets: public benefit considerations;
 - e) Funding commitments; and
 - f) Incoming resources from non-exchange transactions.

The special provisions for PBEs in extant FRS 102

- 4.12 As a result of the development process described above, FRS 102 contains a number of paragraphs written specifically for PBEs, which are identifiable by a paragraph number prefixed 'PBE'. A PBE must apply these PBE paragraphs when relevant. The PBE paragraphs are not applied by non-PBEs, except in certain limited cases when FRS 102 extends them to non-PBE members of a PBE group (paragraph 1.2 of FRS 102).
- 4.13 A PBE applying the PBE paragraphs is required to make an explicit and unreserved statement that it is a PBE (paragraph PBE3.3A of FRS 102).
- 4.14 The Glossary to FRS 102 defines a number of terms relating to PBEs, including:
- a) Public benefit entity concessionary loan;
 - b) Public benefit entity group;
 - c) Combination that is in substance a gift;
 - d) Non-exchange transaction;
 - e) Service concession arrangement; and
 - f) Service potential.

4.15 FRS 102 addresses the six PBE-specific issues highlighted by the Accounting Council in 2013:

- a) Concessionary loans: Generally, loans are accounted for as financial instruments in accordance with Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instruments Issues*. However, FRS 102 provides a simpler alternative for PBE concessionary loans⁸, which may be measured at the amount paid or received. Further, the same accounting may be applied by other wholly-owned entities in a PBE group⁹, to eliminate the need to restate on consolidation, concessionary loans made or received for the purposes of furthering the PBE's objectives.
- b) Property held for the provision of social benefits: Section 16 *Investment Property* of FRS 102 generally requires property to be measured at fair value when it is held to earn rentals and/or for capital appreciation. However, property held primarily for the provision of social benefits is excluded from Section 16 and is instead accounted for in accordance with Section 17 *Property, Plant and Equipment*, which allows a choice between a cost and a revaluation model. Paragraph 16.3A gives the example of social housing held by a PBE, although the possibility of a non-PBE holding property primarily for the provision of social benefits is not ruled out.
- c) Entity combinations: Generally, business combinations are accounted for by applying the purchase method in Section 19 *Business Combinations and Goodwill*. However, FRS 102 provides alternative approaches for group reconstructions (in Section 19), and for PBE combinations that are in substance a gift¹⁰ or that are a merger (in Section 34 *Specialised Activities*). This means that PBEs are not required to apply the purchase method for combinations meeting these criteria.¹¹
- d) Impairment of assets: public benefit considerations: Section 27 *Impairment of Assets* requires impaired assets to be measured at the higher of their fair value less costs to sell and their value in use (paragraph 27.11). FRS 102 points out that when PBE assets are held for their service potential¹² rather than their ability to generate cash flows, it is appropriate to determine value in use as the present value of that service potential. Use of depreciated replacement cost, to reflect the cash outflows that are saved through ownership of an asset, may be useful in approaching this.¹³

⁸ "A loan made or received between a public benefit entity or an entity within a public benefit entity group and another party:

(a) at below the prevailing market rate of interest;

(b) that is not repayable on demand; and

(c) that is for the purposes of furthering the objectives of the public benefit entity or public benefit entity parent."

⁹ "A public benefit entity parent and all of its wholly-owned subsidiaries."

¹⁰ "A combination carried out at nil or nominal consideration that is not a fair value exchange but in substance the gift of one entity to another."

¹¹ When the PBE is a company, the legal appendix to FRS 102 points out that a 'true and fair override' of company law may be required in order to achieve this (paragraph A3.30A).

¹² "The capacity to provide services that contribute to achieving an entity's objectives. Service potential enables an entity to achieve its objectives without necessarily generating net cash inflows."

¹³ Paragraph 27.20A, and section B27 of the Basis for Conclusions.

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- e) Funding commitments: Section 34 of FRS 102 contains provisions applicable to funding commitments which do not meet the definition of financial instruments. Whilst not exclusive to PBEs, funding commitments are likely to be relevant to PBEs.
 - f) Incoming resources from non-exchange transactions: Section 34 of FRS 102 contains provisions applicable to the receipt by a PBE of incoming resources from non-exchange transactions¹⁴ (other than government grants, which are addressed by Section 24 *Government Grants*). This provides PBEs with a practical basis for recognising incoming resources from donations (of cash, goods, and services) and legacies. The requirements have been designed to be proportionate for PBEs:
 - i) Measurement at fair value or value to entity: In principle, PBEs are required to value the resources they receive from non-exchange transactions at their fair value. This requirement applies to donated goods, which are measured at their fair value (which reflects that the PBE is expected to be able to realise that fair value through use or resale). However, donated services or facilities are instead measured at their value to the entity. This is the price the entity estimates it *would have paid* in the open market for a service or facility of *equivalent utility*. As a result, the PBE is not required to recognise the value of a 'premium' service or facility which happens to be donated, if this exceeds the PBE's need: the PBE only recognises the amount it would otherwise have paid.
 - ii) Recognition when value can be measured reliably: Resources are only recognised if their value can be measured reliably. As a result, contributions made by volunteers are not recognised (unless the volunteer is providing a service usually provided as part of their trade or profession for a fee). When fair value cannot be estimated with sufficient reliability on receipt, the income is instead recognised when the resource is sold or distributed (for example, in the case of high volume, low value second-hand goods donated for resale).
 - iii) Contracts containing both a lease and a non-exchange transaction: In certain circumstances, a contract could contain both a lease, as defined in Section 20 *Leases*, and a non-exchange transaction (or government grant) in the scope of Section 34 (or Section 24) – for example if a lessor accepts a significantly lower rent for an asset with the intention of making a donation to the PBE. FRS 102 provides guidance on how to account for such situations, which the FRC expects may not be common in practice.

4.16 FRS 102 also addresses some additional PBE-related topics:

- a) Concepts and pervasive principles: Section 2 *Concepts and Pervasive Principles* sets out the conceptual framework underlying the ongoing development of FRS 102. It was rewritten during the second periodic review of FRS 102 (effective 2026) and is partly based on the IASB's 2018 *Conceptual Framework for Financial Reporting*. Whilst the *Conceptual Framework for Financial Reporting* could be regarded as 'profit-oriented', FRS 102 nevertheless contains various concepts and definitions that can either be applied to the non-profit context as well, or that have been specifically

¹⁴ "A transaction whereby an entity receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange."

considered for the non-profit context. For example, Section 2 identifies that an asset can arise from rights that create or enhance service potential.¹⁵

- b) Statement of cash flows: Section 1A does not require a small entity to present a statement of cash flows. But even if it does not apply Section 1A, Section 7 *Statement of Cash Flows* also provides an exemption for small entities. By including this exemption in Section 7 as well, the FRC ensured that small charities would be able to take advantage of it, notwithstanding the Charities SORP's exclusion of small charities from applying Section 1A.
- c) Indicators of control: Section 9 *Consolidated and Separate Financial Statements* requires an entity to consider whether it controls another entity. Paragraph B9.13 of the Basis for Conclusions points out that the 'benefits' relevant to applying the indicators of control can, in PBE sectors, be in the form of indirect benefit through a PBE's beneficiaries or benefit which furthers a PBE's activities.
- d) Measurement of inventories held for distribution at no or nominal value: generally, Section 13 *Inventories* of FRS 102 requires inventories to be measured at the lower of 'cost' and 'estimated selling price less costs to complete and sell'.¹⁶ However, inventories that are held for distribution at no or nominal consideration are instead measured at the lower of 'cost adjusted, when applicable, for any loss of service potential' and 'replacement cost'.¹⁷ Whilst not PBE-specific, this is likely to be of relevance to many PBEs.
- e) Determining a discount rate for lease accounting: Applying the on-balance sheet lease accounting model in Section 20 *Leases* (effective 2026) requires¹⁸ an entity to use the interest rate implicit in the lease when calculating the liability. When that rate cannot be readily determined, a lessee is permitted to use either its 'incremental' or its 'obtainable' borrowing rate instead. PBEs benefit from a further concession when neither of those borrowing rates can be readily determined: the rate of interest otherwise obtainable by the public benefit entity on deposits held with financial institutions is used instead.¹⁹
- f) Accounting policy choice for government grants: The international standard IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* permits only the 'accrual model' for accounting for government grants. The *IFRS for SMEs* Accounting Standard permits only the 'performance model'. Section 24 of FRS 102 provides greater flexibility by providing a choice between the accrual model and the performance model, on a class-by-class basis. This also enables consistency with the accounting for non-government grants, since PBEs are required by Section 34 to apply the performance model for incoming resources from non-exchange transactions other than government grants.

¹⁵ Paragraph 2.34(b)(iii) of FRS 102.

¹⁶ Paragraph 13.4 of FRS 102.

¹⁷ Paragraph 13.4A of FRS 102.

¹⁸ Except on initial application of the *Periodic Review 2024 amendments* – see paragraph 1.51(a) of FRS 102.

¹⁹ Paragraph PBE20.50 of FRS 102

- g) Service concession arrangements: Section 34 of FRS 102 contains provisions applicable to service concession arrangements²⁰. By definition, the grantor in a service concession arrangement will be either a public sector body or a PBE. The international equivalent guidance, in IFRIC 12 *Service Concession Arrangements*, addresses only the accounting by the operator, not the grantor. Grantor accounting requirements were developed for FRS 102 specifically because the scope of the standard includes PBEs.
- h) Realised profit considerations for companies: The legal appendix to FRS 102 reminds charities that are companies to consider whether any gains arising from the recognition of incoming resources from non-exchange transactions are unrealised, as company law does not allow unrealised gains to be recognised in profit or loss.²¹

Topics not addressed in FRS 102

4.17 In 2013, the Accounting Council noted four other topics that “were identified through the development of FRS 102, which may be considered in the future and as possible updates to FRS 102”²². The table below explains the FRC’s current position on those topics:

Topic	Accounting Council’s comment in 2013	FRC staff comment in 2026
Narrative reporting	To consider narrative reporting requirements for public benefit entities and any specific matters.	Narrative reporting has not been a feature of FRS 102, but each of the PBE SORP-making bodies has chosen to address narrative reporting in some way, in addition to their core objective of providing guidance on the application of FRS 102.
Fresh start accounting	To consider the concept of fresh start accounting as an alternative accounting treatment for entity combinations where the effect of a combination is to create a new entity that cannot be reasonably portrayed as the enlargement of a pre-existing party.	This was a concept considered by standard-setters internationally around the turn of the century. In certain kinds of entity combination where there is no clear acquirer, instead of applying either the purchase method or merger accounting, the combined entity would be treated as a new entity formed on the date of the combination and its net assets recognised at their fair values at that date. The FRC is not aware of any discussion of this topic in recent years.

²⁰ “An arrangement whereby a public sector body or a public benefit entity (the grantor) contracts with a private sector entity (the operator) to construct (or upgrade), operate and maintain infrastructure assets for a specified period of time (the concession period).”

²¹ Paragraph A3.37C of Appendix III *Note on legal requirements* to FRS 102.

²² Refer to paragraph 160 of the Accounting Council’s advice to the FRC in [FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland \(March 2013\)](#)

Topic	Accounting Council's comment in 2013	FRC staff comment in 2026
Social benefit obligations	To consider if and how social benefit obligations should be recognised and measured in the financial statements. The International Public Sector Accounting Standards Board currently have a project in progress addressing this issue and it is likely to be most productive to await the outcome of that work.	This appears to relate to providing greater clarity on the accounting for grants given, and related expenditure. This is addressed in the UK by the Charities SORP (e.g. in Module 16 <i>Presentation and disclosure of grant-making activities</i>). Internationally, the topic is also addressed in standards such as Section D2 <i>Expenses on grants and donations</i> of INPAS (see section 6) and the international public-sector accounting standard IPSAS 48, <i>Transfer Expenses</i> .
Fund accounting	To consider how fund accounting would be applied in accordance with the requirements of FRS 102 for segmental reporting.	Fund accounting involves distinguishing between the different classes of charitable funds held by a charity, including those that are 'unrestricted' and can be spent for any charitable purpose of the charity, and those that are 'restricted' in their use. ²³ The topic arises from trust and charity law and is addressed by the Charities SORP. Including fund accounting in FRS 102 would have extended it to non-charity PBEs when applicable, such as higher education institutions.

²³ See Module 2 of the SORP *Accounting and Reporting by Charities* (Charities SORP 2026)

5. The role of SORPs

What is the role of SORPs?

- 5.1 SORPs recommend accounting practices for specialised industries or sectors. They supplement accounting standards and other legal and regulatory requirements in light of the special factors prevailing or transactions undertaken in a particular industry or sector. Therefore, an accounting SORP provides a sector-specific overlay in addition to FRS 102.
- 5.2 The FRC does not write SORPs, but a SORP-making body must be recognised by the FRC and is overseen in accordance with the [published SORP Policy](#). Because SORPs are maintained by SORP-making bodies, their sector-driven recommendations can be amended relatively easily if the sector demands.
- 5.3 Three of the seven extant accounting SORPs pertain broadly to PBEs:
- a) Charities;
 - b) Further and Higher Education (FE/HE); and
 - c) Registered providers of social housing.
- 5.4 None of these sectors are synonymous with 'PBEs'. Whilst most charities, FE/HE institutions and registered providers are likely to be PBEs, some may not be. PBEs may also exist which are not charities, FE/HE institutions or registered providers – i.e. some PBEs may be in scope of FRS 102 but not of any SORP. However, FRS 100 *Application of Financial Reporting Requirements* states that entities whose financial statements do not fall within the scope of a SORP may nevertheless choose to comply with its recommendations, provided that they do not conflict with the requirements of the framework adopted.
- 5.5 FRS 100 requires that, when a SORP applies, an entity²⁴ shall state in its financial statements:
- a) the title of the SORP;
 - b) whether its financial statements have been prepared in accordance with the SORP; and
 - c) in the event of a departure from those provisions, a brief description of how they depart.
- 5.6 The Charities SORP specifies that when a charity is also in the scope of another SORP (e.g. the FE/HE SORP), that other SORP should be applied.

²⁴ Other than a small entity in the Republic of Ireland

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- 5.7 SORPs are not permitted to contradict FRS 102 but they are permitted to introduce additional guidance and additional disclosure requirements, and to narrow options that would otherwise be available. For instance:
- a) SORPs may specify which of the available models for accounting for government grants is to be adopted; and
 - b) as noted above, the Charities SORP does not permit the use of Section 1A *Small Entities* of FRS 102.
- 5.8 As a result, it is important for FRS 102 to include PBE-specific transactions. Whilst SORPs provide additional detail, they could not remedy a situation in which FRS 102's requirements were incompatible with the substance of a PBE-specific transaction.
- 5.9 Because different PBE sectors are served by different SORPs, within the parameters set by the FRC and by FRS 102, each individual SORP can target specific requirements at the sector to which it relates, enabling a level of sector-specific and sector-driven tailoring. Whilst the FRC expects SORP-making bodies to co-ordinate with each other to achieve a degree of consistency between SORPs, an individual PBE applying one SORP need not have any awareness of the requirements of other SORPs. Full consistency between SORPs is not required. For example, as noted above, FRS 102 allows an accounting policy choice between the accrual model and the performance model for government grants. The Charities SORP narrows this choice, requiring the performance model. The Housing SORP also narrows this choice, but in some cases requires the accrual model. To incorporate these differences into a specific standard would introduce complexity; to remove them could reduce consistency.

6. What is happening internationally?

- 6.1 International standard-setting by the IASB and, for the public sector, by the International Public Sector Accounting Standards Board (IPSASB) has been in place for some time but until recently there has been no equivalent for non-profit organisations.

INPAS

- 6.2 In October 2025, the International Non-Profit Reporting Foundation (INPRF) launched the first edition of its International Non-Profit Accounting Standard (INPAS). This is an accrual-based accounting standard aimed at non-profit organisations (NPOs) internationally. Like FRS 102, INPAS used the *IFRS for SMEs* Accounting Standard as its basis.
- 6.3 INPAS currently has no direct effect on UK or Irish preparers. The FRC did have a role in its development by responding to the three exposure drafts which preceded the standard.²⁵ The FRC's Director of Accounting and Reporting Policy had a seat on the technical advisory group supporting the project.
- 6.4 This enabled the FRC to provide insight based on its experience of reporting in the UK and Ireland and of the requirements in FRS 102 and the Charities SORP. Nonetheless, a number of differences exist between INPAS and the UK framework (FRS 102 and SORPs).
- 6.5 Some of the key differences between INPAS and FRS 102 include:
- a) FRS 102 contains no direct equivalent of several sections of INPAS which set out requirements on the presentation and classification of expenditure (e.g. D1 *Classification of expenses*, D2 *Expenses on grants and donations* and D3 *Fundraising costs*). As a result, SORPs address such topics for UK entities.
 - b) The INPAS requirements in section C1 Part I *Revenue from grants and donations* apply an approach comparable to that in IFRS 15 *Revenue from Contracts with Customers*, with grant and donation income recognised when (or as) 'delivery obligations' are satisfied. In contrast, although Section 23 *Revenue from Contracts with Customers* of FRS 102 has been updated (effective 2026) to reflect a five-step model based on that in IFRS 15, the same has not been applied to non-exchange income. FRS 102 requires the use of the performance model for incoming resources from non-exchange transactions other than government grants (Section 34) – incoming resources are generally recognised when received or receivable, or when performance-related conditions are satisfied if later. For government grants, FRS 102 (Section 24) allows a choice between the performance model or the accrual model from the international standard IAS 20. Some SORPs narrow this choice.
 - c) INPAS requires all donations of services in kind, including volunteer time, to be recognised if they are 'mission critical'. FRS 102 specifies that donations are recognised only if their value can be measured reliably, and that the value of volunteer time generally cannot: as a result, a PBE is not required by FRS 102 to recognise any value for volunteer time received (except when the volunteer is

²⁵ Refer to [FRC Responses to External Consultations](#)

providing services for which they would usually charge a fee as part of their trade or profession).²⁶

- d) INPAS addresses fund accounting, but FRS 102 does not.
- e) INPAS requires all entities to present a statement of cash flows, whereas FRS 102 exempts some entities.
- f) FRS 102 provides a simpler alternative to the usual financial instruments accounting for PBE concessionary loans. The project to produce this first version of INPAS did not consider this topic, and therefore INPAS does not depart from the requirements of the *IFRS for SMEs Accounting Standard* in this respect.
- g) FRS 102 permits the use of merger accounting in certain circumstances (refer to section 4); INPAS does not.

6.6 In summary, there are differences between INPAS and FRS 102, and INPAS is not a simpler standard than FRS 102. The requirements of INPAS are necessarily written for a global constituency and so cannot take into account specific considerations for UK and Irish preparers. For example, whilst INPAS addresses fund accounting, it does not reflect the requirements of trust and charity laws in the UK.

INPAS as inspiration for national standards

6.7 Whilst a number of jurisdictions are considering making INPAS available for use by NPOs, it is also possible to use INPAS as a source to inform a locally-developed standard.

²⁶ Paragraph PBE34.69A of FRS 102



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