

Introducing the Charities SORP 2026 webinar

Questions and answers

The content of these questions and answers has been produced in general terms and should be seen as containing broad statements only. The questions and answers are not intended to provide a complete explanation or advice in respect of the particular issues and users of the questions and answers will need to discuss the relevance of the questions and answers in the context of their particular circumstances and will need to refer to the Charities SORP 2026. Users may also need to take professional advice.

1. Will charities have to restate their prior year accounts in their financial statements that were prepared using the old SORP when they produce the financial statements using the new SORP for the first year?

When reporting under the new SORP for the first time, comparative information must be restated as far as practicable on a like-for-like basis. Guidance on the transition arrangements can be found in the 'Scope and application' module of SORP 2026, paragraphs 22 to 25.

2. In the past the Charity SORP making body has published helpful example report and accounts and other useful support such as helpsheets. Is there an intention to do so again for Charities SORP 2026 and if so is there a timeframe for this?

It is not our intention to prepare new or updated versions of the example reports and accounts at this time. The SORP-making body does intend to produce helpsheets for lease accounting which will include examples to aid practical application of the SORP. We will also keep under review issues arising so that we can consider any further needs for guidance.

3. Can smaller subsidiary charities use different tiers (say 1 or 2) to base their own accounts preparation on compared to parent's consolidated accounts (tier 3)?

Yes, subsidiary charities can base their own accounts on the individual tiers that they fall into. However, charities should also refer to Module 24 Accounting for groups and the preparation of consolidated accounts to ensure they follow the requirements for preparing consolidated accounts.

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4. What was the rationale to raise the threshold to prepare a cash flow statement?

The SORP-making body, in its considerations of how the requirements of the SORP could be as proportionate as possible for the wide variety of charities that prepare their accounts in line with it, decided to relieve those charities in tier 2 from the requirement to prepare a statement of cash flows when eligible; meaning only the very largest charities are required to prepare the statement, consistent with all companies of the same size. This was believed to be a positive step which will reduce the reporting burden for more charities.

5. Are there any real changes (rather than clarifying narrative) to the non-exchange transactions? I had heard that the new SORP would make accounting for grants easier?

To ease navigation and to accommodate the extra detail on exchange transactions, Module 5, Recognition of income including contract income and income from legacies and grants, has been split into two main sections: section one deals with exchange transactions and section two deals with non-exchange transactions.

The approach to income recognition in SORP 2026 is that income is recognised in the SoFA when the relevant criteria that apply to a particular type of income are met. For non-exchange transactions, general principles for recognising income are outlined in paragraph 5.63 of SORP 2026.

Feedback in the consultation process expressed a need to provide more clarity about determining whether a grant is considered to be an exchange or non-exchange transaction. The SORP now provides examples and further clarification to address this point in paragraphs 5.5 and 5.6.

6. Designated funds – trustees often meet after year-end to see the financial results per SORP accounting before they can decide on designations (that's because throughout the year, management accounts are often prepared on a different basis, especially re income recognition). Can you clarify the treatment of post year-end designations (e.g. for reserves)?

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Module 13 Events after the end of the reporting period provides information on designations post year-end (refer to paragraph 13.9).

7. If we receive a grant from government to carry out certain activities will this generally be considered a non-exchange transaction? And as such not impacted by changes in respect of Revenue recognition?

This type of grant income would be considered to be an exchange transaction because the charity is receiving money in exchange for carrying out certain activities.

8. Will a hardcopy of the SORP 2026 be available to purchase?

SORP 2026 will only be available as a download from the SORP site no hard copies will be available.

9. Just to clarify, the new SORP doesn't affect Receipts & Payments accounts (charities under 250k), is that correct? Or are there any knock-on effects that affect R&P accounts as well?

New SORP doesn't affect R&P accounts

10. Can we assume that our accountant will deal with these changes?

While your professional advisor will be able to assist and advise on a number of areas, it is the responsibility of charity trustees to prepare the accounts and comply with relevant legislation. Particularly in relation to the Trustees' Annual Report, trustees themselves should take an active role in the preparation of this.

11. Do the 'future plans' changes relate to finance accounting, or narrative?

Narrative reporting

12. Please can you clarify if the changes regarding outcomes apply across all 3 Tiers?

All charities need to explain the outcomes from their activities and main achievements for the year – the difference they have made to their beneficiaries. Fundamentally it is about telling the story of the charity.

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13. On leases, does a charity need to prepare previous year comparisons using the new method?

No – lessees don't restate comparatives for lease accounting. Refer to paragraph 1.47 of FRS 102.