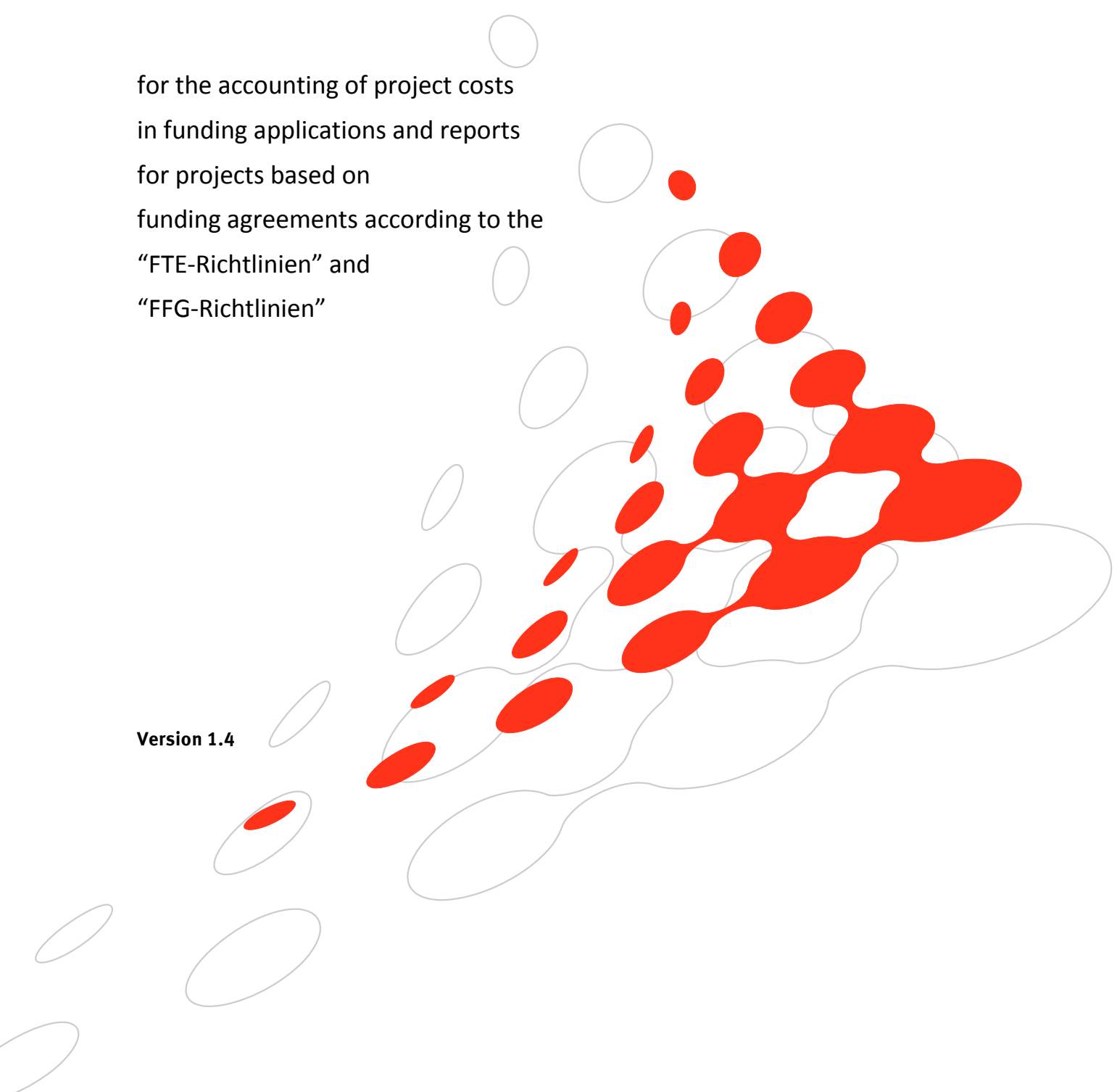


Cost Guidelines

for the accounting of project costs
in funding applications and reports
for projects based on
funding agreements according to the
“FTE-Richtlinien” and
“FFG-Richtlinien”

Version 1.4



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1 Preamble

These general Cost Guidelines are designed to assist FFG funding applicants and recipients in accounting and reporting their costs in funding applications and reports (interim and final reports) for funding programmes carried out in accordance with FTE- and FFG-Richtlinien. Application of the Cost Guidelines is obligatory for all calls according to FTE- and FFG-Richtlinien starting as from 1/4/2014 and for all projects according to FFG-Richtlinien recommended in meetings of the FFG Advisory Board.

Please note! Other guidelines (call guidelines, technical guidelines etc.) may contain divergent and complementary regulations, which are expressly referred to in the respective guideline. The present Cost Guidelines shall then apply on a subsidiary basis.

All specific forms and templates for funding applications, reports etc. can be downloaded from the respective programme page on the FFG website

<http://www.ffg.at>

Projects co-funded by the EU, e.g. the European Regional Development Fund (ERDF), shall be governed by separate provisions. For further details see the relevant programme page on the FFG website.

2 General

We recommend that you read and observe all relevant provisions carefully prior to drawing up the funding application or report in order to avoid corrections and cutbacks. Use of the FFG forms and templates is obligatory.

Funding application: The funding applicant must submit the funding application in electronic form via the eCall system (<https://ecall.ffg.at>) either within the specified period or on a continuous basis.

Report: By signing the funding agreement the funding recipient undertakes to submit reports on the work carried out in the course of the funding period, to allow FFG staff to inspect any documents (including payroll accounts) relevant to the project as well as to provide them with any information required. As a rule, the submission of a report is a prerequisite for the payment of subsequent funding instalments. Reports consist of a technical report and a cost report (spreadsheet tables). The reporting periods are specified in the respective guidelines or funding agreements.

Accounting: The interim and final accounts form part of the interim and final report. The account must contain a breakdown of all expenses/costs and income (e.g. from the sale of prototypes) related to the funded work. The accounts must also show that the charged costs do not exceed the upper limits for personnel costs (see 4.1.2).

Evidence of actual costs: All costs shown in the account must be evidenced by the corresponding invoices/receipts (see respective cost categories). Evidence may also be provided by electronically archived invoices/receipts. The project to which the costs are allocated must be indicated on the invoices/receipts. The fixed hourly rate for shareholders actively involved in a project and the 20%

overhead rate need not be evidenced. Evidence must also be provided by partners who do not receive funding.

The performance, invoicing and payment dates must be within the funding period (as per the funding agreement). In justified exceptions – for instance where the invoice is submitted late without the funding recipient being at fault – a payment date of up to three months after the end of the funding period can be accepted.

The application of lump-sum costs (based on cost centres) is only permitted under certain conditions and to a defined extent.

- The costs according to the costing system must not exceed the actual costs.
- The funding recipient must have a complete and consistent ERP (Enterprise Resource Planning) system in place.
- The cost accounts must not contain any profit margin or cost items that are not eligible for funding.
- Additional overhead costs must not be charged.

Cost reallocations can be applied for and substantiated in the interim and/or final report under “Deviations from the cost plan”. The procedure to be followed is outlined in the report template.

Storage period: All project-related documents (accounts and receipts as well as any other documents serving to verify the performance of the work) must be stored securely and orderly **for a minimum period of ten years from the conclusion of the project** (verification of proper application of funds by FFG and thus final approval of costs). The FFG is entitled to extend the storage period in justified cases (e.g. until complete repayment of any loan granted).

3 Principles concerning chargeable costs

Chargeable costs: Chargeable costs comprise all expenditure allocable to the project or expenses arising directly, actually and additionally (to the usual operating expenses) for the duration of the funded research activity.

Eligible costs: Chargeable costs may be restricted by the programme or by the jury (at project level). The specified regulations on chargeable costs thus apply in general, but are not necessarily valid for all programmes or projects without restriction.

Funding is on no account available for:

- costs (both direct and indirect) that are not deemed to be eligible for funding by virtue of EU competition law provisions (e.g. for R&D: marketing and distribution costs);
- costs that are not deemed to be eligible for funding under the FTE- and/or FFG-Richtlinien;
- costs that are excluded from funding by the relevant guidelines;

- costs that are not directly related to the funded project or cannot be clearly allocated to the project;
- costs incurred before the funding application is received by the FFG (= cut-off date);
- costs that have not been incurred during the funding period specified in the contract;
- costs that are excluded from funding by special provisions in the funding contract;
- expenditure charged to third parties and hence not borne by the funding recipient;
- expenditure that has already been funded in other projects (double or multiple funding);
- discounts, rebates, claims for damages, warranty payments;
- financing costs (interest, charges on money transactions);
- imputed costs, such as imputed risk, imputed depreciation, imputed interest, imputed replacement value etc.;
- costs for the acquisition of real estate and immovables;
- allocation to and release of provisions and reserves;
- voluntary payments;
- entertainment expenses, hospitality costs;
- marketing and sales costs;
- bad debt losses, liability cases;
- taxes, charges and fees;
- patent maintenance costs.
- value-added tax: value added tax payable on the costs of chargeable deliveries/services is in principle not eligible for funding. If, however, this value added tax can be proven to be actually and finally borne by the funding recipient (i.e. the funding recipient is not entitled to deduct input tax) value added tax can be taken into account as an eligible cost item.

Special cases:

Foreign currency invoices: Foreign currency invoices must be converted to Euros at the exchange rate at the date of payment and can be charged exclusive of transaction fees.

Costs of **foreign project partners** must be evidenced in the same way as costs charged by Austrian project partners, even if they do not receive funding.

Project costs and services charged **between project partners** are not eligible for funding.

In-kind contributions (personnel and materials) provided by **affiliated enterprises** are subject to the same regulations as those provided by funding recipients. Inclusion in the accounting records must be additionally evidenced (if no conclusive evidence is provided the costs will not be considered eligible for funding).

4 Special accounting regulations according to cost type

4.1 Personnel costs

4.1.1 Calculation of personnel costs

Personnel costs are to be determined on the basis of the gross wages and salaries (exclusive of overtime allowance, one-off bonus payments) including related charges (ancillary wage costs) for project staff actually deployed for the funded project. Personnel costs for freelancers shall be calculated according to the same principles as for employed project staff (maximum hourly rates, work time records including description of activities, overhead allowance, lower ancillary wage costs). Costs must be evidenced through payroll data.

Other payments or payments in kind for personnel can only be charged if these are generally prescribed by law, collective agreement, a company agreement or the employment contract with legally binding effect.

The **actual hourly rate** for each member of the project staff is calculated by dividing the personnel costs by an hour-based denominator (see cost plan/accounting form).

For full-time employees (40 hrs/wk) this denominator shall be a fixed annual rate of 1,680 hours. For project staff employed under all-in contracts (all-in overtime allowance) this denominator must be increased to 1,860 hours. For part-time project staff the denominator must be reduced accordingly. Alternatively, hours of attendance can be used as a denominator provided that the hours of attendance are properly documented. The annual project hours charged must not exceed the annual working hours used as the denominator.

Hours per week	Annual working hours for the calculation of hourly rates
Normal working hours 40 h/week; 38.5 h/week (with the exception of all-in contracts)	1,680 h/1,617 h
All-in employment contracts (all-in overtime allowance) 40 h/week; 38.5 h/week	1,860 h/1,790.25 h
Overtime allowance (only gross salary can be taken into account) 40 h/week; 38.5h/week	1,680 h/1,617 h

Research institutions as per EU definition, which do not receive basic subsidies from public funds, may use 1,500 hours per year as a denominator for calculating the hourly rate for full-time employment (40 h/week). This is **only possible**, however, if the difference to the FFG's usual minimum denominator of 1,680 can be proven to relate to activities in support of the institution's research activities (e.g. dissemination of research know-how, scientific training, etc). For project staff working fewer hours the denominator must be reduced accordingly.

All project staff are obliged to keep **time records**. These must contain an informative description of the activities attributable to the individual funded projects (including allocation to workpackages) and must be kept on an **hourly and daily basis**.

For project staff working for several funding recipients, a maximum of 1,980 hours may be charged annually for all projects in which the respective person was involved.

4.1.2 Personnel cost limits (maximum hourly rates)

Funding according to **FTE-Richtlinien**: Personnel costs are eligible for funding up to the amount of the reference values laid down from time to time in accordance with Section 8 of the “Regulation of the Federal Minister of Finance concerning the guidelines for determining and setting out the financial effects of new legislative measures” (Federal Law Gazette, BGBl II No. 50/1999, Annex 3, as amended).

Funding according to **FFG-Richtlinien**: Personnel costs are only eligible for funding if they are within the limits usual in the trade and can be verified on the basis of the company’s in-house accounting system. If the total expenditure for the funded project is predominantly financed by federal funds – i.e. the amount of cash funding exceeds 50% of the approved total project costs – personnel costs are likewise only eligible for funding up to the amount that corresponds to the salary structure of the Federal Government for comparable federal employees. This case is also subject to Section 8 of the “Regulation of the Federal Minister of Finance concerning the guidelines for determining and setting out the financial effects of new legislative measures”.

The comparative table below refers to the FTE-Richtlinien (in general) and the FFG-Richtlinien (if the amount of cash funding exceeds 50% of the approved total project costs) and provides an overview of possible functions:

		According to Federal Law Gazette II No. 50/1999, Annex 3		Indexed Values						
Employees by Function	Functions (e.g.)	Group	2005 Annual Personnel Costs (gross, incl. ancillary wage costs)	2014 Annual Personnel Costs (gross, including ancillary wage costs) 40 hrd/week	Hours per Year (40 hrs/week)	2014 Valorised Hourly Rate	2013 Valorised Hourly Rate	2012 Valorised Hourly Rate	2011 Valorised Hourly Rate	2010 Valorised Hourly Rate
Scientific Staff										
1st Management Level	CTO, COO, CIO, Scientific Head, Key Researcher, Head R&D, University Professor, etc.	1	104.277	124.579	1680	74,15	72,69	72,69	70,60	70,01
2nd Management Level	Deputy Scientific Head, Area Manager, Senior Researcher, Senior Expert, Lecturer, Team Leader, etc.	2	90.235	107.803	1680	64,17	62,90	62,90	61,10	60,58
Junior Scientist	Developer, Junior Researcher, University Assistant, Graduand, PhD Student, etc.	3	76.192	91.026	1680	54,18	53,11	53,11	51,59	51,15
Administrative Staff										
1st Management Level	Executive Board, Controlling, CEO, CFO, COO, CIO, Senior Management, etc.	1	104.277	124.579	1680	74,15	72,69	72,69	70,60	70,01
2nd Management level Administration	Assistant to the Board, Department Head, Team Leader, etc.	2	90.235	107.803	1680	64,17	62,90	62,90	61,10	60,58
	Assistants, Secretaries, etc.	4	40.207	48.035	1680	28,59	28,03	28,03	27,22	26,99
Technicians/Skilled Workers	Technician, etc.	4	40.207	48.035	1680	28,59	28,03	28,03	27,22	26,99
in € per year										

For planning purposes, an annual adjustment of the hourly rates is possible as follows based on the figures for 2005 (according to Federal Law Gazette, BGBl. 2006): 2.7% for 2006, 2.35% for 2007, 2.7% for 2008, 3.55% for 2009, 0.9% for 2010, 0.85% for 2011, 2.95% for 2012, 0.0% for 2013 and 2.02% for 2014.

For subsequent years, a cautious indexation of the hourly rates can be applied. The maximum hourly rates do not include overhead costs.

4.1.3 Public sector employees

If public sector employees (e.g. federal employees) contribute to a funded project, the respective personnel costs will only be eligible for funding if double invoicing at the expense of public budgets can be excluded. This means that personnel costs of persons whose salaries are already paid from public funds must not be charged as part of a funded project.

University employees are not considered public sector employees (such employees are subject to the provisions of 4.1.2.).

The above restrictions shall not apply if personnel costs charged for public sector employees arise under a contract (third-party services).

Local/regional/other territorial authorities: costs incurred for activities outside the responsibility of public administration are eligible for funding. This includes for example costs of independent organisations/companies which are under the majority control of local/regional authorities (usually municipal undertakings, public utility companies) and which are financed through service charges.

4.1.4 Non-salaried project staff

Shareholders actively involved in a project (sole proprietors, persons holding interests in partnerships or interests in limited liability companies exceeding 25%) and association officials registered in the association register shall be subject to the following provisions:

- A **fixed hourly rate** of a maximum of EUR 35 may be charged as eligible costs. An additional fixed 20% overhead rate may be applied.
- Costs for non-employed minority shareholders (up to 25% interest in limited liability companies) actively involved in a project may be charged via contracts for work and services. Provisions on the eligibility of costs are the same as for employed project staff.
- If this option of direct costing is used, a maximum annual amount of EUR 58,800 (excluding overheads) can be charged.

Costs for employed minority shareholders (up to 25% interest in limited liability companies) actively involved in a project are to be charged at the hourly rates calculated in accordance with 4.1.1.

4.1.5 Overheads

R&D relevant overhead costs include all costs accruing to the company/cost centre that are indirectly related to the R&D project, but cannot be directly allocated to it. They can only be claimed as **surcharge on personnel costs**. Overheads include all indirect costs (e.g. rent, operating costs, maintenance, office material, administration, accounting/controllers, payroll accounting, IT) and must not be additionally charged as direct costs.

Overhead costs can be charged at a fixed rate of 20%. The funding applicant may alternatively apply a higher overhead surcharge if it discloses a corresponding overhead cost calculation based on the most recent financial statements (profit and loss account or cost centre level). If it fails to submit such financial statements or a cost calculation in compliance with the regulations, then the fixed

overhead rate of 20% shall be applied. The FFG may fix the overhead rate for a period of three years unless there are substantial reasons for adjusting the rate.

Overhead costs must be determined at company level (or at cost centre level) and allocated to the personnel costs of the company (or the cost centre), i.e. the overhead rate is calculated by dividing the sum of **R&D relevant chargeable overhead costs** by the sum of **personnel costs**. The resulting percentage (overhead rate) is then added to the personnel costs charged directly.

Personnel costs include wages, salaries and the corresponding ancillary costs of the entire staff of the company/cost centre in the financial year (in accordance with the financial statements). Any internal personnel costs included in the overhead costs (e.g. management, management assistants, accounting and payroll department staff) must be deducted from the personnel costs.

Overhead costs of universities, private universities, universities of applied sciences and international project partners are limited to 20%.

The costs of the management/board can be included in the overhead costs to a maximum of EUR 58,800 unless they have already been charged as direct costs.

Overhead costs not relevant to R&D include:

- costs excluded from funding as a matter of principle (see Section 3 “Principles concerning chargeable costs”);
- costs that have been charged as direct costs in whole or in part;
- costs for persons or functions that have already been charged as direct costs in whole or in part;
- shareholder costs;
- legal expenses;
- business consulting fees;
- patent registration and maintenance costs;
- personnel recruiting;
- membership fees;
- packaging and transport costs;
- losses from disposal of assets;
- printing costs;
- travel costs;
- vehicle expenses.

4.2 Other direct costs

4.2.1 Use of R&D infrastructure

Costs for instruments and equipment are eligible for funding if and as far as these are used for the project (use of R&D infrastructure). The proportional depreciation of the equipment is to be calculated for the duration of the project.

Depreciation must in principle be calculated based on the useful life specified in the fixed-asset schedule (monthly allocation, proportional use in the project). The useful life can be adjusted based on an assessment by the funding provider. If the fixed asset is capitalised on or after the 16th of the month, that month cannot be taken into account for calculating the useful life in the reporting period.

If a fixed asset has been financed in whole or in part by public funds, the corresponding proportional depreciation is not eligible for funding (to prevent double funding).

The costs of low value assets are to be reported at total acquisition costs in the costs of materials.

If the prototype is exploited commercially after completion, the respective revenue obtained shall be deducted from the prototype costs charged.

Prototypes funded through subsidies

For prototypes which can be used after expiry of the funding period and have been exclusively funded through subsidies, the proportional depreciation (normally useful life according to the fixed-asset schedule) shall be applied as R&D infrastructure costs. Use in this context is taken to mean commercial use after the funding period. This includes, e.g., use in production, leasing, use in other research projects or use for marketing purposes. If research institutions use the prototype exclusively for dissemination purposes this will not be considered as commercial use. The manufacturing costs of the prototype are to be charged in a single item and evidenced by a detailed calculation (separate accounting sheet). The calculation is based exclusively on the material and third-party costs incurred in the production/design of the prototype. The entire development costs can be charged. The useful life in the funding period commences at the beginning of the funding period.

Prototypes funded through subsidies and loans

For prototypes that have been funded through subsidies and loans, the term 'commercial use after the funding period' shall be restricted to production, leasing and sale.

Calculation in hours (machine hours)

Costs for the use of R&D infrastructure can be calculated by multiplying the hours of machine/facility utilisation by the corresponding machine hour rates. The project relevant machine hours and rates must be documented properly (e.g. machine log book).

The calculation of machine hour rates is based, among others, on depreciation, tools, consumables and supplies. Application of imputed interest and depreciation on the basis of replacement values is not permitted.

Leasing costs

Funding is available for the leasing instalments paid to the leasing company by the funding recipient in the funding period, less interest and charges contained therein. For leasing transactions without transfer of ownership the leasing costs must be entered as costs of materials.

Other R&D infrastructure costs

These include for instance licence or maintenance costs for software and equipment. These costs can only be charged if they are allocable to the project and limited to the funding period. These costs must be reported as costs of materials.

4.2.2 Costs of materials

This cost category includes costs for project-related consumables, low value assets, inventory withdrawals and proportional licence fees.

Inventory withdrawals must be assessed and accounted for using a legally recognised inventory accounting method (e.g. LIFO, FIFO, moving average).

Prototypes as costs of materials

Prototypes which can no longer be used after expiry of the funding period (as evidenced, e.g., by a disposal certificate or similar) are to be reported as costs of materials. The manufacturing costs of the prototype (see provisions for prototypes funded through subsidies) shall be charged as acquisition costs in a single item and evidenced by a detailed calculation (separate accounting sheet).

4.2.3 Third-party costs

This cost category includes costs for contract research, technical knowledge, costs for technical consulting and equivalent services etc. that exclusively serve the research activity.

Funding recipients that satisfy the criteria of a contracting authority pursuant to the Federal Public Procurement Act (BvergG) shall comply with the provisions of public procurement law when awarding contracts to third parties.

Costs related to patent registration (no patent maintenance costs) are considered as eligible costs. Provisions concerning eligibility and amount of costs are included in the relevant guidelines.

Persons only sporadically contributing to a project (contracts for work and services) must be reported under third-party services. Project staff continuously contributing to the project based on a contract for work and services may not exceed the maximum limits specified in Section 4.1.2 and must provide information about total project hours including a description of their activities in their invoice.

4.2.4 Travel costs

Evidence must be provided that the travel costs charged are clearly related to the project. Eligibility is restricted to travel costs of internal project staff.

Travel costs (daily allowances, accommodation costs, travel costs, conference fees) are eligible for funding if they can be claimed as business expenditure pursuant to the provisions applicable to the employees.

Cost refunds paid instead of daily allowances shall be limited to the respective amount of the daily allowance. Reimbursement for the use of a private car shall be in accordance with the statutory mileage allowance. The mileage allowance is taken to cover parking fees, toll fees (including vignette) and fuel. The funding recipient must choose the most economical means of transport.