



**Master of Finance
ONLINE EDITION**

Financial rules of Horizon Europe and H2020

Day 1 - Part I

Speaker: Gábor Kitley

Co-Founder and CEO of Europa Media Trainings

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SPEAKER

Gábor Kitley

- Contact me on [LinkedIn](#)
(but with a nice message)
- On [Twitter](#) as @KitleyGabor
- Write to gabor.kitley@europamedia.org



Part 1 / Chapter One

The Hitchhiker's guide to Financial Reporting

Why Reporting costs?

- „Budget-based, mixed actual cost grant” (HE Art. 5.1)
 - In 90-95% of the actions **funding is based on actual/unit-based direct costs incurred** and reported
 - Apart from:
 - Flat-rate financed costs (for the indirect costs)
 - Pre-fixed unit-cost grants (e.g., MSCA)
 - Lump-sums financed actions (e.g., IA-LS)

No joint financial responsibility but joint technical responsibility!

Part 1 / Chapter Two

From „Accounted“ to „Reportable“

The „LOGIC”

Duly accounted in the PnL's?

No

(exception of in-kind by third parties (foreseen))



Accounting or Reporting

„all cost reported must be in line with the beneficiary’s usual cost accounting practices”

(H2020 GA; Art.6.1.a – HE GA; Art.6.1a)

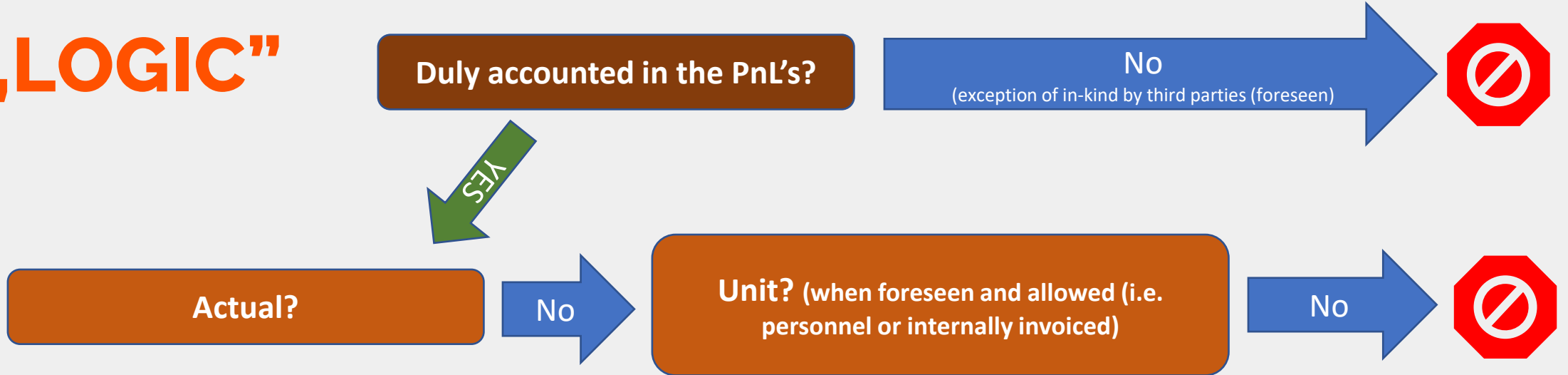
Compare the following:

Do I have to do anything differently compared to normal businesses?

VS

Can I do anything differently compared to normal businesses?

The „LOGIC”



Actual-cost versus Unit-cost



€86.000
-----= €50/hour x 100 hours on project = €5.000
1720 Hours



€77.400
-----= €45/hour x 100 hours on project = €4.500
1720 Hours

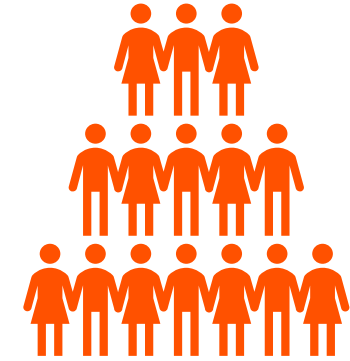


€94.600
-----= €55/hour x 100 hours on project = €5.500
1720 Hours



€82.560
-----= €48/hour x 100 hours on project = €4.800
1720 Hours

Total actual personnel cost: €19.800



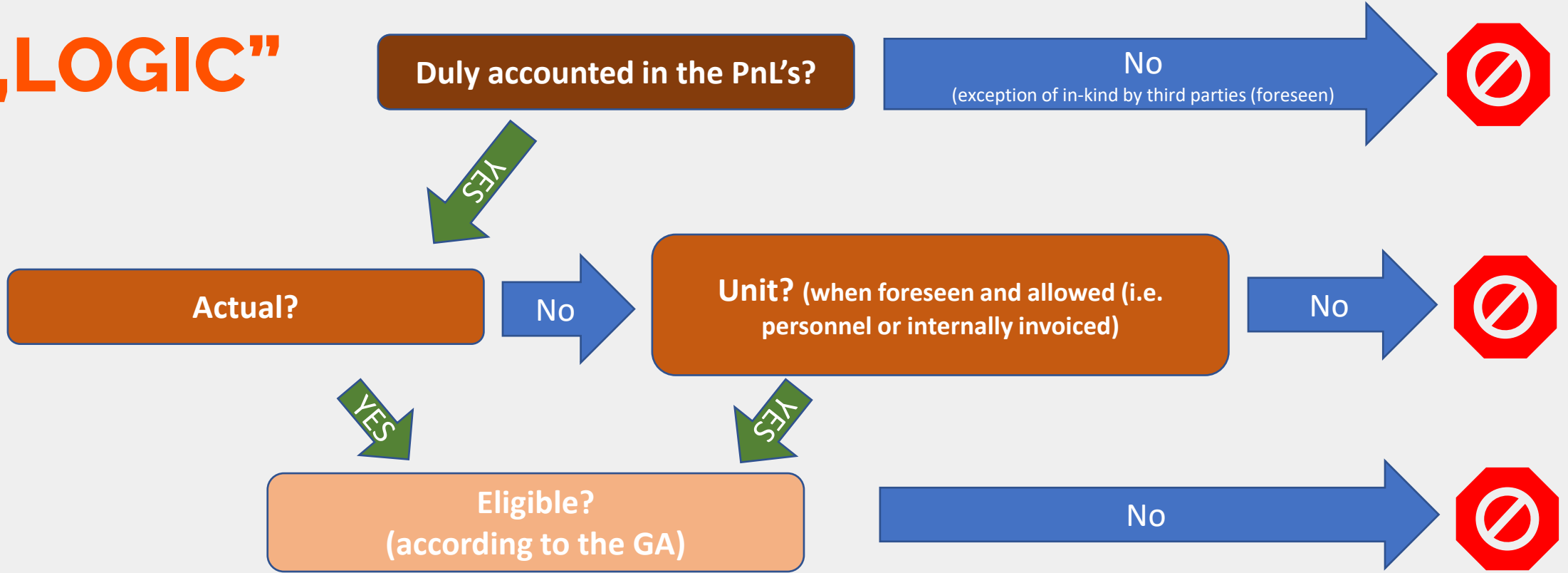
Team: Researchers:

Unit cost: **€ 50/hour***

Total hours spent on
the project by Team
Researchers: **400**


Total unit-based
personnel cost:
€20.000

The „LOGIC“




What makes **ANY** cost ELIGIBLE?

- It is duly accounted in the Beneficiary's Profit & Loss Accounts


•  Exceptions?

- In compliance with the relevant applicable national laws

- Incurred during the implementation of the project

•  Exceptions?

- In accordance with the Beneficiary's usual accounting and management principles

•  Exceptions?

- Foreseen in the project's budget
- Needed for and linked to the project's implementation
- **Reasonable, justifiable – efficient!!!**

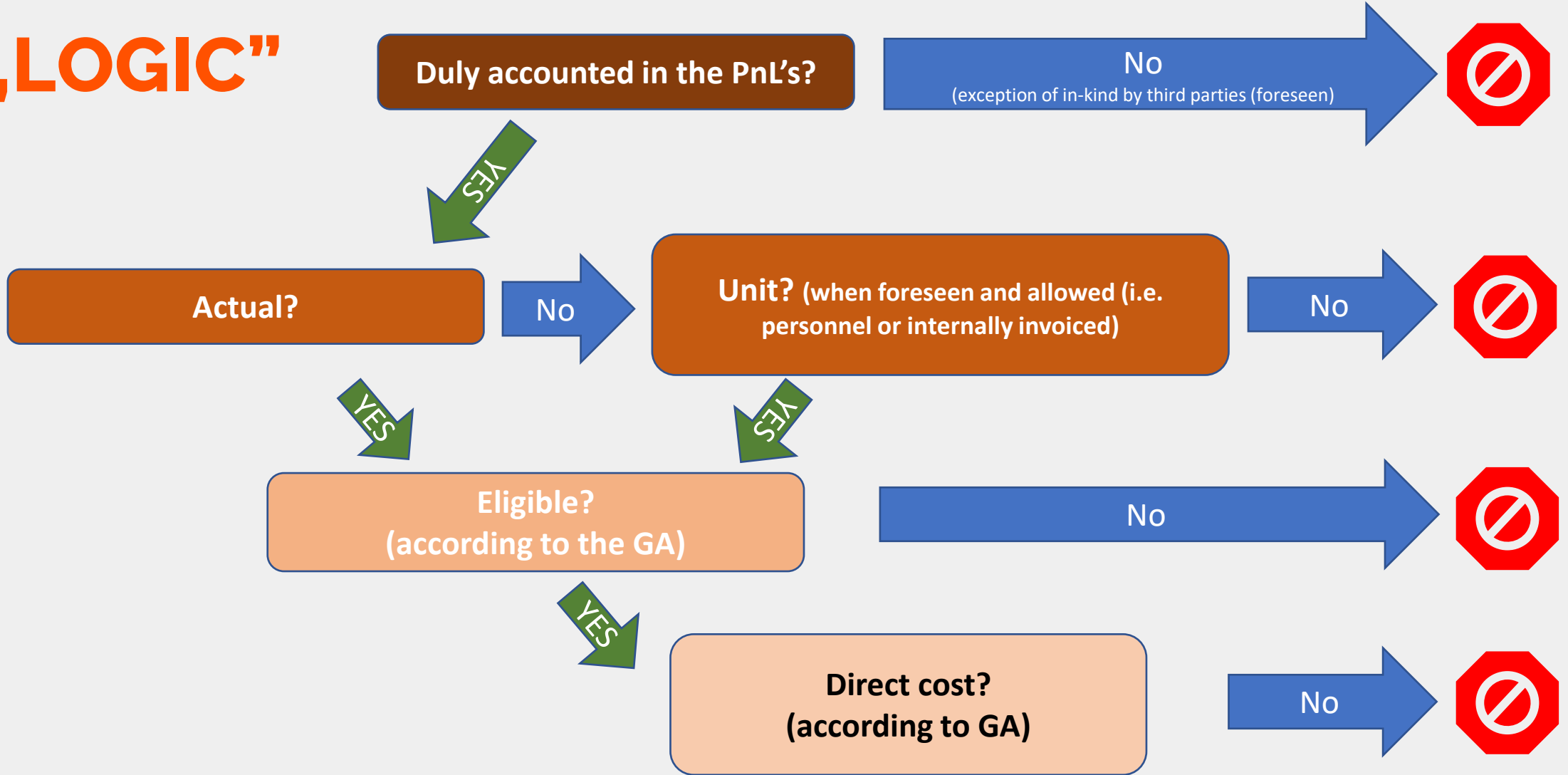


What makes a cost **NON-ELIGIBLE**?



- **Not foreseen** in the proposal/GA (particularly the subcontracting!)
- Related to return on capital, debt and debt-service charges, future losses or debts
- Interest owed, future liabilities
- **Currency exchange losses**
- Bank costs charged by the Beneficiary's bank for receiving the transfers of grants from the EC
- **Excessive or reckless expenditure**
- Deductible VAT
- Cost incurred during suspension of the action
- **Double funding** – no mixing of EU Grants!

The „LOGIC”



What makes any costs DIRECT costs?

Can be directly linked with the project

The Beneficiary has to ***prove the link*** between the project and the costs

Example: travel costs to Brussels - link: project meeting in Brussels, reported in the (periodic) reports

Can be proportionated to the project

The Beneficiary must provide evidence on the ***“usage-rate”***

Example: salary cost of a staff member - timesheets show the link and help identify the involvement level



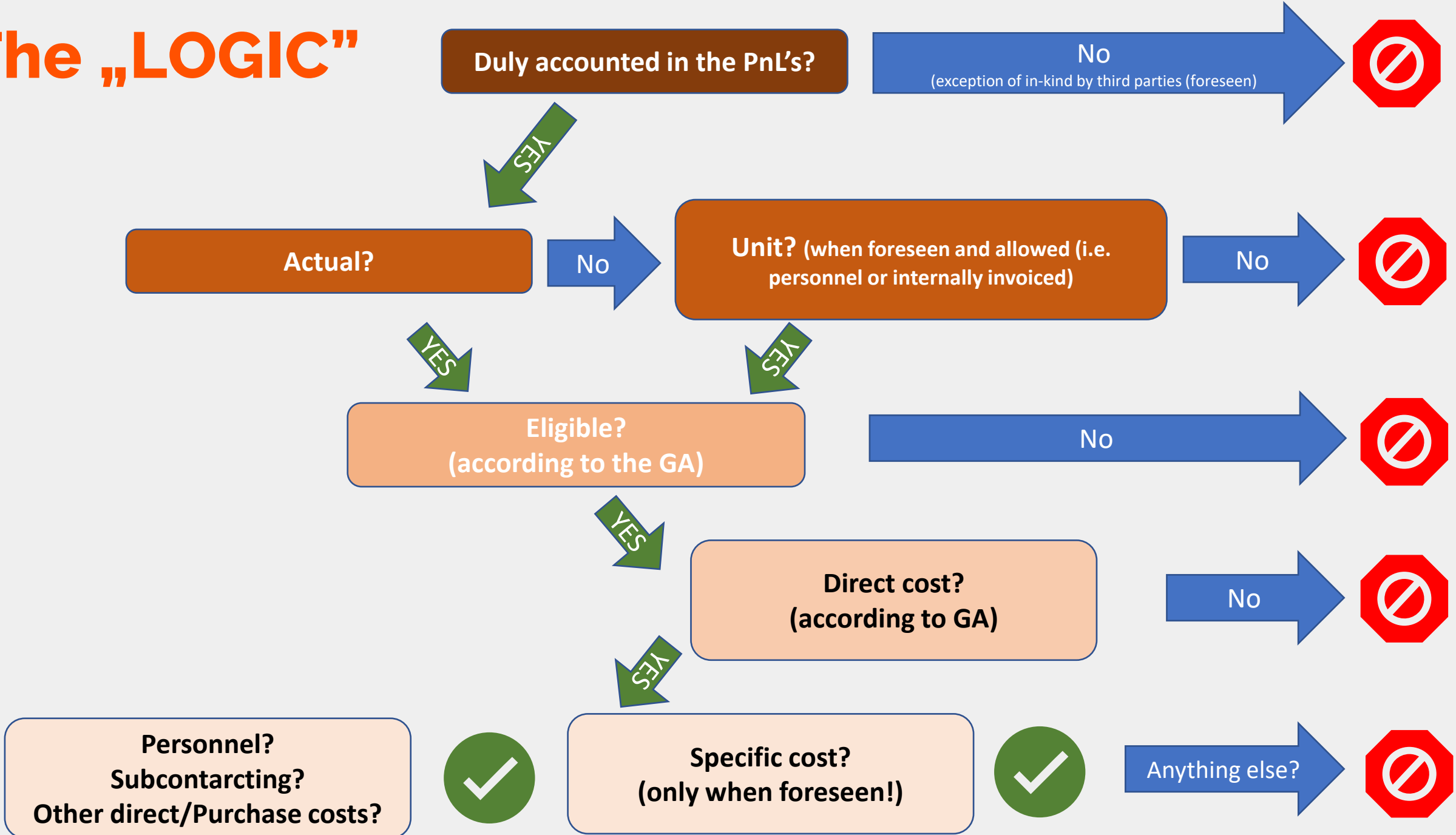
What makes any costs **INDIRECT** costs?

Cannot be measured directly due to practical or administrative reasons:

- Overheads or running costs
- Equipment or staff costs, if cannot be proportionated or linked to the project
- Any other costs with no linked to the project (i.e. travel “forgotten” to be reported; Equipment fully depreciated, etc.)



The „LOGIC”



Duly accounted in the PnL's?

No
(exception of in-kind by third parties (foreseen))



Actual?

No

Unit? (when foreseen and allowed (i.e. personnel or internally invoiced))

No



Eligible?
(according to the GA)

No



Direct cost?
(according to GA)

No



Personnel?
Subcontracting?
Other direct/Purchase costs?



Specific cost?
(only when foreseen!)



Anything else?



Direct Cost Categories

H2020

Personnel cost

as actual costs
as unit costs

Subcontracting

as actual costs only!

Other direct costs, including

Travel cost – as actual costs only!
Equipment and infrastructure costs- as actual costs only!
Other costs and services – as actual costs only!

Providing financial support to third parties (only if foreseen by the EC)

as actual costs only!

Internally invoiced goods and services

as unit costs

Costs of Large-scale infrastructure (optional)

Specific Unit costs (only if foreseen by the EC):

Energy Efficiency measures – as unit cost set by the EC
Cost of Clinical Trials – as unit cost calculated by the Beneficiary(es)
Access cost to Research Infrastructure – as unit costs calculated by the Beneficiary

HE

Standard:

Personnel cost (A)

as actual costs
as unit costs

Subcontracting (B)

as actual costs only!

Purchase cost (C)

Travel cost – as actual costs only! (C1)
Equipment - as actual costs only! (C2)
Other goods and services – as actual costs only! (C3)

Programme-specific cost categories:

Other costs (D)

Financial support to Third Parties (FSTP) (D1)

Internally invoiced goods and services (D2)

Transnational access cost to Research Infrastructure (D3)

Virtual access cost to Research Infrastructure (D4)

PCP/PPI (D5)

Euratom Cofund staff mobility costs (D6)

ERC Additional funding (D7)

ERC Additional funding – SC, FSTP, IIGS (D8)

THANK YOU!

for your attention

Gabor Kitley

gabor.kitley@europamedia.org

 [@KitleyGabor](https://twitter.com/KitleyGabor)

 [@gaborkitley](https://www.linkedin.com/in/gaborkitley)

europamediatrainings.com

info@europamediatrainings.com

   [@EuropaMedia](https://twitter.com/EuropaMedia)



VISIT

europamediatrainings.com

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Things you wished you knew about Horizon 2020 and Horizon Europe



info@europamediatrainings.com