**Treatment of CO transfer postings in the §27 area for the Calculation of LOM third-party funds & R&D survey**

(As of 2009-05-12)

The transfer of budget funds from one project to another is carried out in the area of §27-projects is carried out by means of so-called "CO-transfers". These CO transfers are based on different circumstances, which can be traced back to two types:

1) Budget offsets are made when, for example, residual funds from completed from completed projects ("overages") are transferred to asset accounts or, conversely or, conversely, when a credit balance in the assets account is used to cover an overdrawn project is used. In the past, budget balancing by means of CO transfer has also been used to made to reallocate budget funds between ongoing projects. According to the Third-Party Funding Guideline of 06.03.2009, such "transfers for for financing reasons" should no longer be carried out, but only "objectively justified" transfers. Furthermore, the funds provided by IFTZ and MFI were transferred to the §27 accounts of the funding recipients by means of CO reclassifications.

2) In addition, CO transfer postings are used for true activity allocations i.e., to account for internal services provided by one project to another.1

CO transfer postings are a tool for internal cost accounting, so they are reflected not reflected at the financial accounting level or from the perspective of the university as a whole. From the perspective of the individual project, on the other hand, they do show up, since they reduce or increase the available budget resources of the individual project.

Although, from a revenue/expense perspective, debit entries represent internal expenses, while credit entries represent internal revenues, CO transfers are not reflected in the logic, but are recorded exclusively as "secondary non-personnel expenses". This means that debits are shown as a positive expense, while credits are shown as a negative expense. For the recipient project (credit entry, negative non-personnel expense), this means that it can incur additional expenses in the amount of the of the CO transfer posting, whereby the type of expenditure is irrelevant.

For the calculation of LOM-relevant expenditures or expenditures surveyed by Statistics Austria, this procedure is not relevant.

This approach is problematic for the calculation of LOM-relevant expenditures or expenditures surveyed by Statistics Austria, as it leads to distortions of the expenditure landscape or to negative expenditure balances. For this reason the CO transfers in the calculation of LOM third-party funds and the R&D survey are treated as described below.

For simplicity, the examples given below assume that in projects, only material expenses were incurred and the project budget was fully utilized. has been fully utilized.

***Ad 1) Budget Balancing***Project 1 (P1) provides project 2 (P2) with funds in the amount of 60,000.00 €.

**Project 1:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Amount**  | **Effort**  | **Amount**  | **Revenue** |
| 100.000,00  | Revenues Clinical studies |  |  |
| 60.000,00  | CO transfer posting:Money order to P2 |  |  |
| 40.000,00  | Various expense postings |  |  |
| **100.000,00**  | **Balance of general and administrative expenses (\*)**  | **100.000,00**  | **Balance Revenue** |

**Projekt 2:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Amount**  | **Effort** | **Amount** | **Revenue** |
| 50.000,00  | Revenue Pfizer Austria |  |  |
| -60.000,00  | CO Reposting:Budget increase by P1 |  |  |
| 110.000,00  | Various expense postings |  |  |
| **50.000,00**  | **Balance of general and administrative expenses (\*)**  | **50.000,00**  | **Saldo Erlöse** |

(\*) *This sum is shown in SAP as the sum of general and administrative expenses.*

Calculation:

*To determine the expenditures for LOM as well as the R&D survey of Statistics Austria, the budget balancing initiated by CO transfer postings is eliminated from the SAP balances as follows:*

*(balance of non-personnel expenses) - (CO transfer postings of the type "budget balancing").*

*For LOM third-party funds and R&D survey, this results in expenses for the projects in the amount of:*

|  |  |  |
| --- | --- | --- |
| P1: P2:  | 100.000,00 – 60.000,00 = 50.000,00 – (–60.000,00) =  | 40.000,00110.000,00 |

Justification:

Without back-calculation of the CO transfers, P1 would show expenditures in the amount of € 100,000.00, whereas P2 would only show expenditures in the amount of € 50,000.00. The budget balancing cannot be interpreted as activity allocation, since no activity exists. The cost truth at the project level is only given if the non-personnel expenditure in the amount of € 60,000.00 is attributed to project 2. After all, P2's expenditures were made for P2's purposes. (In principle, budget balancing should therefore be limited to the transfer from Überlingen).

***Ad 2) "real" activity allocation***

*Project 3 (P3) charges a performed service (e.g. sequencing) to project 4 (P4).*

***Project 3:***

|  |  |  |  |
| --- | --- | --- | --- |
| **Amount**  | **Efforts**  | **Amount**  | **Revenue** |
| 100.000,00  | Revenues Clinical Studies |  |  |
| 90.000,00  | Various expense postings |  |  |

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|  |  |
| --- | --- |
| 10.000,00  | CO transfer posting: "Paymentto P4 for services renderedservices rendered |
| **100.000,00**  | **Balance of general and administrative expenses (\*)**  | **100.000,00**  | **Balance Revenue** |

**Project 4:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Amount**  | **Efforts** | **Amount** | **Revenue** |
| 50.000,00  | Revenues Abbott GmbH |  |  |
| -10.000,00  | CO reposting:"Payment" for services rendered for P3services rendered |  |  |
| 60.000,00  | Various expense postings |  |  |
| **50.000,00**  | **Balance of general and administrative expenses (\*)**  | **50.000,00**  | **Balance Revenue** |

(\*) *This sum is shown in SAP as the sum of general and administrative expenses.*

Calculation:

*The balance of the non-personnel expenses reported in SAP is used to determine the expenses for LOM and FE. For LOM third-party funds and R&D survey, this results in expenditures for the projects in the amount of:*

|  |  |
| --- | --- |
| P3: P4:  | 100.000,0050.000,00 |

Justification:

For the commissioning project (P3) it makes no difference whether a service is procured internally or externally, therefore the expense must be taken into account. The consideration is already included in the transmitted balance (100,000.00), since the debit entry is added to the "real" material expense. Whether the expenditures made within the scope of the "internal revenues" should be included in the commissioned project (P4) remains to be seen. However, a one-sided elimination of the CO transfer - i.e., only on the part of the service provider - according to the above formula is not permissible, since this would increase the third-party funding total, which would be problematic especially for the FE survey. However, since commissioned projects can only be LOM class 4 projects (EU projects, etc. cannot be service providers in principle), the treatment of these projects does not play a significant role. Therefore, the value reported in SAP is used without back-calculation of CO transfers.