

COACH: Costs

INDEED

Innovation for
Dementia in the Danube Region

Project co-funded by the European Union
A stream of cooperation

Costs: Summary

- A **financial plan** helps in keeping an overview of costs and expenses in a project over several years. To distinguish the costs by different services offered helps to calculate and analyse the costs and revenues of each service.
- In the financial planning, it should be distinguished between costs and expenses.
- **Costs** is money actually spent or in other words the reduction of financial assets in one period.
- **Expenses** are the proportional costs of an organization spent on goods and services which are consumed during an accounting period. Defining the expenses can be required by the tax authorities, is important for external

communication and is essential for the internal steering of a project.

Following steps should be taken to define the expenses:

- A **depreciation** of assets which are used over a long time is needed. Depreciation means distributing the costs of a product or service over its entire period of use.
- **Non-operating expenses** are costs that do not relate to your business activities. They should be subtracted from the overall costs.
- **Implicit costs** are services and goods used and not paid for, for which you would normally need to pay for. They should be added to the costs.

Costs: Types of Costs

(Initial) Investments

- Equipment, furniture, software ...

Material Costs

- Food, drinks, information material, office supply, medical material ...

Personnel Costs

- Wages, social security ...

Infrastructure Costs

- Rent, energy, telephone, internet ...

Taxes and Fees

- Income taxes, water and waste disposal ...

Financial Costs

- Financial fees, loan instalments ...

Costs: Financial Plan

| Project: ... | Year 1 | | | | | Year 2 | | | | |
|---|-----------|-----------|-----------|--------------|-----|-----------|-----------|-----------|--------------|-----|
| | Services | | | Organisation | Sum | Services | | | Organisation | Sum |
| | Service A | Service B | Service C | | | Service A | Service B | Service C | | |
| COSTS | | | | | | | | | | |
| (Initial) Investments | | | | | | | | | | |
| ... | | | | | € 0 | | | | | € 0 |
| ... | | | | | € 0 | | | | | € 0 |
| Material Costs | | | | | | | | | | |
| ... | | | | | € 0 | | | | | € 0 |
| ... | | | | | | | | | | |
| Personnel Costs | | | | | | | | | | |
| ... | | | | | | | | | | |
| ... | | | | | | | | | | |
| Infrastructure Costs | | | | | | | | | | |
| ... | | | | | | | | | | |
| ... | | | | | | | | | | |
| Taxes & Fees | | | | | | | | | | |
| ... | | | | | | | | | | |
| ... | | | | | | | | | | |
| Financial Costs | | | | | | | | | | |
| ... | | | | | | | | | | |
| ... | | | | | | | | | | |
| Total Costs | € 0 | € 0 | € 0 | € 0 | | | | | | |
| EXPENSES on an accrual basis | | | | | | | | | | |
| Accruals | | | | | | | | | | |
| ... | | | | | € 0 | | | | | € 0 |
| ... | | | | | € 0 | | | | | € 0 |
| Depreciations | | | | | | | | | | |
| ... | | | | | € 0 | | | | | € 0 |
| ... | | | | | € 0 | | | | | € 0 |
| Non-operating EXPENSES and implicit costs | | | | | | | | | | |
| - Non-operating Expenses | | | | | | | | | | |
| ... | | | | | € 0 | | | | | € 0 |
| + Implicit Costs | | | | | | | | | | |
| ... | | | | | € 0 | | | | | € 0 |
| Total Expenses | | | | | | | | | | |
| (= Costs + Accruals + Depreciation + Non-operating Expenses + Implicit Costs) | € 0 | € 0 | € 0 | € 0 | € 0 | € 0 | € 0 | € 0 | € 0 | € 0 |

In a financial plan all costs of a project are calculated for several years. In addition, a financial plan allows to differentiate between costs and expenses of a project. It helps with internal planning and is an important instrument to convince people of the feasibility of the project idea.