

## The Eurostars methodology of checking the financial viability

**Eligibility of Danish SMEs in Eurostars applications:** Danish SMEs participating in Eurostars applications must demonstrate an ability to selffund their own part of the projects through out the project. It is recommended to check the financial viability using the on-line Eurostars tool.

The Eurostars financial viability self-assessment is composed of five financial ratios based on financial figures containing within the balance sheet or profit & loss account: Solvency, Liquidity, Net and Gross Profitability and Financial Autonomy. In order to have a more realistic overview of the applicant's financial viability, these ratios will be calculated taking into consideration the two most recent closed financial years (weighted 70% for year N).

For start-ups since in most cases there are no objective financial ratios available yet, these organisations usually cannot provide the information requested in this check. They are strongly advised to get in contact with their NFB to check their financial viability for funding. The self-assessment is a simple analysis of the financial viability of the SME Page 6 of 11 Financial Viability Guidelines 2019 participants based on a number of financial ratios and it is independent of the type of funding (loan or grant), the project budget and the percentage of expected public funding

$$\begin{aligned}
 \text{Solvency} &= \frac{\text{Total Liabilities}}{\text{Equity}} \quad \longrightarrow \quad \text{Equity} = \text{capital} + \text{reserves} \\
 \text{Liquidity}^3 &= \frac{\text{current assets} - \text{inventories} - \text{debtors} > 1\text{year}}{\text{current liabilities}} \\
 \text{Net Profitability} &= \frac{\text{Net Operating Profit (NOP)}}{\text{Turnover}} \\
 \text{Gross Profitability} &= \frac{\text{Gross Operating Profit (GOP)}}{\text{Turnover}} \\
 \text{Financial Autonomy} &= \frac{\text{Interest}}{\text{Gross Operating Profit (GOP)}}
 \end{aligned}$$

### Scoring system

A scoring system on a scale of 0 - 2 is established. The qualification for each financial ratio will be given according to the thresholds defined as shown in the table below, where I represents the financial ratio:

| Ratio               | 0                    | 1                      | 2             |
|---------------------|----------------------|------------------------|---------------|
| Solvency            | $i < 0$ or $i > 6$   | $6 \geq i \geq 4$      | $0 < i < 4$   |
| Liquidity           | $i < 0,5$            | $0,5 \leq i \leq 1$    | $i > 1$       |
| Net Profitability   | $i < 2\%$            | $2\% \leq i \leq 4\%$  | $i > 4\%$     |
| Gross Profitability | $i < 5\%$            | $5\% \leq i \leq 15\%$ | $i > 15\%$    |
| Financial Autonomy  | $i < 0$ or $i > 0,4$ | $0,4 \geq i \geq 0,3$  | $0 < i < 0,3$ |

## Results and messages

The result is obtained by summing the individual qualifications (0, 1 or 2) calculated for each financial ratio. The information provided to SMEs after completing the self-assessment will comprise the total score (0-10) and the score obtained in each of the 5 financial ratios.

IFD is using the same methodology to determine whether Danish SMEs have sufficiently financial abilities to fund their part of the projects and may be required to hand in a copy of the results of their Eurostars financial check.

If the check results in “Bad” or “Weak” score, the SME will be contacted for further information.

|              | Total score | Qualification |
|--------------|-------------|---------------|
| Final Result | 0           | Bad           |
|              | 1-4         | Weak          |
|              | 5-7         | Acceptable    |
|              | 8-10        | Good          |

## EU State aid rules

Companies in the European Union under the EU commissions General Block Exemption Regulation and within the European Economic Area that are undertaking in difficulties are not eligible to receive public funding. Companies from other countries in a difficult financial situation may also not be eligible for funding according to their national regulations.

## Second step: In-depth financial viability assessment by National Funding Bodies (NFB)

Checking the real financial situation of an entity is not an easy task as there are a lot of variables involved. It is not only the previous financial figures but the forecasted ones, as well as links to other companies, the commitment of the owners, the activity and financial commitment of the company in other ongoing projects, etc. Regardless of all these elements, one very important aspect that must be considered is the level of risk that NFBs are able to take on behalf of their governments and taxpayers. The financial viability checks by the NFBs are performed within the first weeks after the Submission Deadline.



The NFBs are responsible for assessing each applicant company from their home country. The results are communicated to the EUREKA Association and brought to the IEP to be taken into consideration together with the Application form and the reports from the three remote experts when deciding on a project's quality and ranking position.

The Financial Viability Self-assessment tool can be access via [www.eurostars-eureka.org](http://www.eurostars-eureka.org) or in the link here:

<https://viability.eurostars-eureka.eu/>

## **Annex 1: The financial viability questions**



Welcome to the Eurostars Common Financial Viability Assessment Tool !

Currency is Euro

[Financial Viability Guidelines for Companies](#)

|                           | Year N-1                                | Year N                                  |
|---------------------------|-----------------------------------------|-----------------------------------------|
| Closing date (mm/dd/yyyy) | <input type="text" value="dd-mm-aaaa"/> | <input type="text" value="dd-mm-aaaa"/> |
| Duration (in months)      | <input type="text"/>                    | <input type="text"/>                    |

## BALANCE SHEET

### ASSETS

|                                   | Year N-1                          | Year N                            |
|-----------------------------------|-----------------------------------|-----------------------------------|
| 1. Subscribed Capital unpaid      | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| 2. Fixed Assets                   | <input type="text" value="0"/>    | <input type="text" value="0"/>    |
| 2.1 Intangible Fixed Assets       | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| 2.2 Tangible Fixed Assets         | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| 2.3 Financial Assets              | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| 3. Current Assets                 | <input type="text" value="0"/>    | <input type="text" value="0"/>    |
| 3.1 Inventories                   | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| 3.2.1 Debtors due after one year  | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| 3.2.2 Debtors due within one year | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| 3.3 Cash at bank and in hand      | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| 3.4 Other current assets          | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| <b>TOTAL ASSETS (1 + 2 + 3.)</b>  | <input type="text" value="0"/>    | <input type="text" value="0"/>    |

**EQUITY AND LIABILITIES**

|                                                             | Year N-1 | Year N   |
|-------------------------------------------------------------|----------|----------|
| <b>4. Capital and reserves</b>                              | <b>0</b> | <b>0</b> |
| 4.1 Subscribed capital                                      | 0.00     | 0.00     |
| 4.2 Reserves                                                | 0.00     | 0.00     |
| 4.3 Profit and Loss brought forward from the previous years | 0.00     | 0.00     |
| 4.4 Profit and loss for the financial year                  | 0.00     | 0.00     |
| 4.5 Other components of equity                              | 0.00     | 0.00     |
| <b>5. Non-Current Liabilities</b>                           | <b>0</b> | <b>0</b> |
| 5.1 Long-term non-bank debt                                 | 0.00     | 0.00     |
| 5.2 Long-term bank debt                                     | 0.00     | 0.00     |
| 5.3 Deferred tax                                            | 0.00     | 0.00     |
| 5.4 Long-term provisions                                    | 0.00     | 0.00     |
| <b>6. Current Liabilities</b>                               | <b>0</b> | <b>0</b> |
| 6.1 Trade and other payables                                | 0.00     | 0.00     |
| 6.2 Short-term non-bank debt                                | 0.00     | 0.00     |
| 6.3 Short-term bank debt                                    | 0.00     | 0.00     |
| 6.4 Current tax payable                                     | 0.00     | 0.00     |
| 6.5 Short-term provisions                                   | 0.00     | 0.00     |
| <b>TOTAL LIABILITIES (4. + 5. + 6.)</b>                     | <b>0</b> | <b>0</b> |

## PROFIT & LOSS ACCOUNTS

|                                                                    | Year N-1                          | Year N                            |
|--------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| <b>7. Turnover</b>                                                 | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| 8. Variation in stocks                                             | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| 9. Other Operating Income                                          | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| 10. Costs of material and consumables                              | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| 11. Other Operating Charges                                        | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| 12. Staff Costs                                                    | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| <b>13. Gross Operation profit (GOP)</b>                            | <input type="text" value="0"/>    | <input type="text" value="0"/>    |
| 14. Depreciation and value adjustments                             | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| <b>15. Net Operating Profit (NOP)</b>                              | <input type="text" value="0"/>    | <input type="text" value="0"/>    |
| 16. Financial Income and value adjustments or non financial assets | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| 17. Interest paid                                                  | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| 18. Similar Charges                                                | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| <b>19. Profit or Loss on ordinary activities</b>                   | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| 20. Extraordinary income and charges (+/-)                         | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| 21. Taxes and profits                                              | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |
| <b>22. Profit or loss for the financial year</b>                   | <input type="text" value="0.00"/> | <input type="text" value="0.00"/> |

## SIMULATION RESULTS

| INDICATOR           | FIGURE                             | QUALIFICATION                     |
|---------------------|------------------------------------|-----------------------------------|
| Solvency            | <input type="text" value="0.00"/>  | <input type="text" value="0.00"/> |
| Liquidity           | <input type="text" value="0.00"/>  | <input type="text" value="0.00"/> |
| Net Profitability   | <input type="text" value="0.00"/>  | <input type="text" value="0.00"/> |
| Gross Profitability | <input type="text" value="0.00"/>  | <input type="text" value="0.00"/> |
| Financial Autonomy  | <input type="text" value="0.00"/>  | <input type="text" value="0.00"/> |
| RESULT              | <input type="text" value="Score"/> | <input type="text"/>              |

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### Disclaimer

The ESE provided this tool to Eurostars applicants to carry out their financial viability check for their own information. This tool is supplied "as-it-is" and its use and the results generated with it are not legally binding, even if they are included in the annex section of the application form. Due to the methodology used, the boundary economic situation and the business elements are not taken into account. The ESE does not give any warranty or other assurance, and may not be held liable in any way, as to the results, its accuracy, completeness, or appropriateness for any particular purpose.

Companies in the European Union and within the European Economic Area that are undertaking in difficulties are not eligible to receive public funding according to the European Commission Regulation. Companies from other countries in a difficult financial situation could also not be eligible to be funded according to their national regulations.