

**Launching event: Workshop 2. Finances**  
**Quiz for the financial management of project**  
**Petrozavodsk 6.9.2018**  
**Vuokatti 4.10.2018**

**Correct answer in green colour with yellow highlight:**

**What are the requirements of the project's accounting records?**

1. **Single-entry accounting system, specific project code in the organisation's accounting records. No audit trails.**
2. **Double-entry accounting system, separate cost center in the organisation's accounting system. Audit trails.**
3. **Double-entry accounting system, no separate cost center/specific project code in the organisation's accounting records. Audit trails.**
4. **Double-entry accounting system, specific project code in the organisation's accounting records. Audit trails.**

**Justification:** The basic rule for the project accounting is that the accounting is based on an accrual double-entry system (debit/credit). It is recommended to establish a separate cost center or record the project cost under a specific code in the organization's accounting system in order to extract the project costs from the organisation costs.

It should be noted that in addition to the project costs also revenues, own contributions received from external donors, Karelia CBC Programme funding and interests are recorded under that same project accounting.

A clear audit trail must be established between the original invoice <-> organisation's accounting system <-> project accounting <-> financial report.

Clear audit trail means e.g.:

Valid budget = Project accounting = Financial Report (cost headings, project costs)

Original invoice <-> organization's accounting system <-> Project accounting <-> Financial Report

Cost heading in valid budget = Cost heading number for each invoice in general ledger = cost heading for each invoice in Financial Report

Total amount of general ledger = Total amount of Financial Report



Correct answer in green colour with yellow highlight:

What are the requirements of the project's general ledger?

1. General ledger lists organization costs and project costs. Clear audit trail: original invoice <-> accounting system <-> financial report. Cost headings.
2. There is no need for general ledger, financial report lists the incurred costs.
3. Project invoices listed in Excel/Word in English. No audit trail: original invoice <-> accounting system <-> financial report. Cost headings.
4. General ledger lists invoices reported in financial report. Clear audit trail: original invoice <-> accounting system <-> financial report. Cost headings.

**Justification:** A general ledger is an accounting report which lists all the invoices (the accounts and the invoices under each account) which are reported in the financial report. The general ledger has a clear audit trail between the original invoice <-> accounting systems <-> financial report.

**Correct answer in green colour with yellow highlight:**

**Lead Partner notices that cost amount in partner's financial report is bigger than in partner's general ledger. How to proceed?**

- 1. Lead Partner deducts the surplus amount in the financial report**
- 2. Lead Partner contacts the partner and requests corrected financial report**
- 3. Lead Partner requests clarification. Clarification not sufficient. Clarification, general ledger and uncorrected financial report sent to MA**
- 4. Lead Partner makes no corrections and submits the general ledger and financial report to MA**

**Justification:** The lead partner contacts the partner and asks for clarification regarding the difference in amounts between the general ledger and the financial report. The partner shall explain the difference in amounts to the lead partner and clearly indicate the invoices/costs reported in the financial report that are not recorded in the partner's general ledger. The lead partner deducts these invoices/costs in the financial report which is submitted to the Managing Authority (the lead partner submits to the Managing Authority one financial report including the collection of lead partner and each partner's financial report).

**It is strongly recommended** that each partner checks that the amounts in the general ledger and in the financial report match before submitting these documents to the lead partner. The further clarification requests from the lead partner, auditor and the Managing Authority shall cause delays to the payment process.

**Correct answer in green colour with yellow highlight:**

**Total amount of bought 12 computers is 612 368 RUB. Which date and monthly exchange rate is used in the financial report?**

1. Date of the act
2. Date of the original invoice
3. Date of purchase/ placing a purchase order
4. Date when the cost is recorded into the accounting records

**Justification:** The conversion into euro of the real costs borne and paid in other currencies shall be done at the rate indicated for the month during which the cost was incurred.

The cost is considered to be incurred where there is a legal commitment. Legal commitment is e.g. signature of a contract or placing a purchase order.

Examples:

Cost heading "1. Staff":

The salaries are incurred when salaries are paid to the project employees.

Cost heading "2. Travel":

Accommodation/travel cost is incurred according to the date of purchase.

A project employee reserves a room in a hotel for 1 night during 10-11.12.2018 on 15th November 2018. Employee pays the accommodation on the date of arrival on 10.12.2018. The cost is incurred on the date of purchase; in this case, on 15th November 2018.

Cost heading "3. Equipment and supplies" and "4. Small scale investment":

The costs are incurred when the equipment and supplies are acquired/purchased (e.g. signature of the contract, placing the purchase order).

Cost heading "5. "External expertise and service ":

The cost of interpretation/expertise is incurred when the agreement of the work is done.

**Correct answer in green colour with yellow highlight:**

**Partner's travel claim from Petrozavodsk to Joensuu 14-15.5.2019: Accommodation cost 85 eur. How is the cost converted in the financial report?**

1. Exchange rate date of travel time used.
2. Original amount 85 EUR reported.
3. Exchange rate according to general ledger used.
4. Cost not in general ledger. In financial report original-amount, 85 EUR.

**Justification:** The currency of the original invoice is euro, so there is no need for the conversion of it in the financial report. The amount reported in the financial report is 85 euros.

In the Russian project accounting the invoice in euro is converted into roubles according to the national regulations used by the organization. InforEuro exchange rate is used only in the financial report when converting costs incurred in roubles into euros.



Correct answer in green colour with yellow highlight:

The project reports bonuses and holiday salary reservations under cost heading Staff. Is the cost eligible?

1. Yes both, since the salaries and holiday salaries are eligible costs.
2. Paid holiday salary accrued during project implementation is eligible.
3. Only bonuses are eligible costs.
4. Only holiday salary reservations are eligible costs

**Justification:** Reservation of holiday salaries and/or holiday compensation are not eligible costs. In order to be eligible, holiday costs need to be **accrued and paid** during the implementation period of the project. Holiday cost earned before or after the implementation period of the project is not eligible.

Correct answer in green colour with yellow highlight:

Travel policy in Russian private organization: Daily allowance abroad 3500 rub/day. How to report it in general ledger and financial report?

1. 4000 RUB
2. 3500 RUB
3. 2500 RUB
4. Not reported at all, since the cost is not eligible

**Justification:** Reimbursement of the daily allowance must not exceed the national tax-exempt level or the rates approved by the Programme and the normal practices of the organisation. If organisation reimburses the daily allowance to the project staff at higher rates, the costs are recorded in the project accounting and reported in the financial report according to the reimbursement rates set in the Programme manual. The amount exceeding the set rates is ineligible.

**The maximum reimbursement rates for daily allowance set for the year 2018 are as follows:**

For Finnish organisations reimbursement rates are set annually by the Finnish Tax Administration.

The Official decision of the Finnish Tax Administration on the reimbursement rates and rules, starting from the year 2011 onwards, can be found from [this link](#)

#### Finnish organisations

- Travel in Finland:
  - The tax-exempt **per diem amount is 42.00 EUR**, and the **partial per diem amount 19.00 EUR**.
- Travel abroad.:
  - The tax-exempt per diem amount e.g. for **Russian Federation is 60 EUR**, for **Moscow 75 EUR** and for **St. Petersburg 69 EUR**

#### Russian organisations

- For Russian state bodies on federal, regional and local level: the rates and rules set by the Ministry of Finance by the Russian Federation.
- Other Russian organizations use the following rates and rules in 2018:
  - **Travel in Russia: 700 roubles/day**
  - **Travel abroad: 2 500 roubles/day**
  - In case the duration of the travel is one day:
    - – 50 % in case of the travel abroad.
    - Daily allowance shall not be paid for the travel taking place in Russia.
  - Daily allowances for travels abroad are determined and paid in roubles unless it is normal practice of the organisation to determine and pay the daily allowance in other currency.
  - Daily allowance for travels in Russia are always determined and paid in roubles.

**Correct answer in green colour with yellow highlight:**

**Fridge of organization's meeting room is broken. New is bought. Two project meetings are held in that room. How to report the cost?**

- 1. Equipment and supplies**
- 2. Small Scale Investment**
- 3. Administrative cost**
- 4. Not reported at all, since the cost is not eligible for the project**

**Justification:** The cost does not relate to the project and it is not necessary for the project implementation. It is not included in the project budget and it can't either be allocated as administrative cost. The list of administrative costs has been confirmed during the contracting process.



**Correct answer in green colour with yellow highlight:**

**Project ends on 31.12.2019. Supplies ordered on 31.12.2019. Paid on 31.12.2019. Estimated delivery on 28.1.2020. Is the cost eligible?**

**1. Yes, supplies needed, cost paid during the implementation period.**

**2. No, supplies ordered at end and not used during the implementation period.**

**Justification:** Eligible supplies need to be delivered, installed and used during the project implementation period. Placing of an order or entering into any commitment for expenditure for future delivery of supplies after expiry of the implementation period do not meet this requirement.