

Eurostars legal and financial viability check guidelines

Eurostars is part of the European Partnership on Innovative SMEs. The partnership is co-funded by the European Union through Horizon Europe. This document provides you with a description of the legal and financial viability check and explains how to prepare for it.

Contents

Objective and results of the legal and financial viability check	2
Your role as an applicant	3
Annex: Self-assessment tool to check your financial capacity	5

These guidelines are informative only. They merely serve as explanations provided by the Eureka Secretariat to guide applicants/experts through the / Eurostars processes. They do not create any rights and obligations. The Eureka Association AISBL assumes no responsibility or liability for any errors or omissions in the content of the guidelines. The information contained in these guidelines is provided on an "as is" basis with no guarantees of completeness, accuracy or usefulness.

April 2022

Objective and results of the legal and financial viability check

The legal and financial viability check is an integral part of the Eurostars evaluation process.

Like the evaluation performed by remote experts, the results of the legal and financial viability check determine whether a project application can progress further in the evaluation process or is to be disqualified.

National funding bodies perform the legal and financial viability check on organisations from their country who have applied. In other words, each organisation participating in one project application will undergo an individual check performed by their respective national funding body.

The legal and financial viability check performed on your organisation aims to verify:

- Your organisation has provided a valid Commitment and Signature form as part of your application form.
- If you declared that your organisation is an “SME” in your application form, your organisation fits the definition of SME as laid out in the [EU recommendation 2003/361](#). Organisations that declare themselves to be SMEs must submit a completed [SME declaration](#) as part of your application form.
- Your organisation is a legal entity in the country you are applying for funding in.
- Your organisation has not been convicted for fraudulent behaviour.
- If your organisation is located in the European Union or the European Economic Area, it is not an undertaking in difficulty (based on article 2, no 18 of [COMMISSION REGULATION \(EU\) No 651/2014 of June 2014](#)), or if located elsewhere, it is not in a financial situation that would render it ineligible to receive national funding according to national regulations.
- Your organisation complies with the national rules you need to fulfil to receive Eurostars public funding. If your organisation does not comply with these rules, your national funding body may inform your organisation and request that you provide a self-funding declaration within a set period. By providing a complete self-funding declaration, signed by an authorised person within your organisation, your organisation declares it is willing and able to self-fund participation in the project without receiving any Eurostars public funding.
- Your organisation has the financial capacity to support your remaining part of the project costs, after considering available Eurostars public funding you may receive (based on national funding rules). The assessment of your financial capacity is based on national criteria established by each national funding body.¹

If one or more organisation(s) in your consortium receives a negative assessment for the legal and financial viability check, your application will be disqualified from the evaluation process.

¹ National funding bodies consider a lot of variables when checking the financial capacity of an applicant (e.g. previous financial figures and forecasted ones, 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 the variables, the level of risk that national funding bodies can take on behalf of their governments and taxpayers plays an important role in the assessment.

You may receive a negative assessment for the following reasons:

- There is no valid Commitment and Signature form.
- You declared your organisation is an “SME”, but it does not comply with the SME definition. In this instance, the eligibility of your application is also reviewed; an application originally declared as eligible could become ineligible. Remember that your project application must comply with all eligibility criteria from when you submit it until when you sign your consortium agreement (approximately five to six months later). Find more information in our [eligibility criteria guidelines](#).
- Your organisation is not legally based in the country you are applying for funding from, despite the information you gave in the application form stating the contrary.
- Your organisation is an undertaking in difficulties.
- Your organisation does not comply with national rules you need to fulfil to receive public funding and does not deliver a self-funding declaration by the stated deadline.
- Your organisation does not have the financial capacity to support its part in the project.

Please note: All project partners must meet the legal and financial viability requirements from when you submit your application until you sign your consortium agreement (approximately five to six months later).

Your role as an applicant

To receive a positive legal and financial viability check assessment, **before submitting your application:**

1. Make sure you provide a valid Commitment and Signature form (signed by a person who is authorised to act as the legal representative of your organisation) as part of your application form. Find more information about the Commitment and Signature form in our [guidelines on how to complete an application](#).
2. If you declare that your organisation is an SME in your application form, make sure you comply with the SME definition. Guidance about the SME definition is provided [here](#). If you have any doubts about your SME status or how to complete the [SME declaration](#) (submitted as part of your application form), contact your National Project Coordinator for assistance. National Project Coordinators can be contacted through the contact form on [our website](#).
3. Check if your organisation could be considered as an undertaking in difficulties (based on article 2, no 18 of COMMISSION REGULATION (EU) No 651/2014 of June 2014) or in a difficult financial situation (based on national regulations). If you have any questions, contact your National Project Coordinator.
4. Make sure you know the national funding rules in your country. Each country has its own funding rules, establishing which types of organisations can receive Eurostars funding, the level of funding available and which project activities can be funded. For more information, consult [our website](#) and contact your National Project Coordinator.
5. Make sure you know the national criteria used by your national funding body to assess your financial capacity to support your part of the project costs. Contact your National Project Coordinator for information on:
 - a. national criteria and
 - b. documents you are required to provide as part of the application form or at a later stage in the evaluation process for the legal and financial viability check. For more information, read our [guidelines on how to complete an application](#).

Please note that your national funding body may ask you to provide additional information during the four weeks after you submit your project application. Make sure the contact person your organisation indicated in the application form can be reached during this period.

Annex: Self-assessment tool to check financial capacity

We have a self-assessment tool SMEs can use for an **indication** of their financial capacity to support their part of the project costs.

The self-assessment tool is only for SMEs and is available on our website [here](#). The results are for information purposes only. SMEs can conduct a check before submitting their application for a preliminary non-binding indication of their financial viability.

The self-assessment is a simple analysis of the financial viability of SME participants. It is based on a number of financial ratios and is independent of the type of funding (loan or grant), the project budget and the percentage of expected public funding.

The indicators and ratios used in this check have been agreed on by a working group of financial experts from Eurostars countries. The check addresses the most relevant information for SMEs wishing to participate in our Eurostars programme to pre-assess their financial viability.

Please note: The results of the self-assessment are not binding and may not necessarily correspond to the results of the legal and financial viability check conducted by your national funding body.

Compliance with General Data Protection Regulation (GDPR)

SMEs using this tool can provide figures anonymously, and neither the figures entered nor the result of the self-assessment will be made available to the Eureka Secretariat or national funding bodies. Information will not be recorded or stored.

Financial ratios

The financial viability self-assessment uses five financial ratios based on financial figures in your balance sheet or profit and loss account: solvency, liquidity, net and gross profitability and financial autonomy.

$$\text{Solvency} = \frac{\text{total liabilities}}{\text{equity}} \longrightarrow \text{equity} = \text{capital} + \text{reserves}$$

$$\text{Liquidity}^2 = \frac{\text{current assets} - \text{inventories} - \text{debtors} > 1 \text{ year}}{\text{current liabilities}}$$

$$\text{Net profitability} = \frac{\text{net operating profit (NOP)}}{\text{turnover}}$$

² Turkish companies must insert “0 (zero)” in the item “debtors due after one year”.

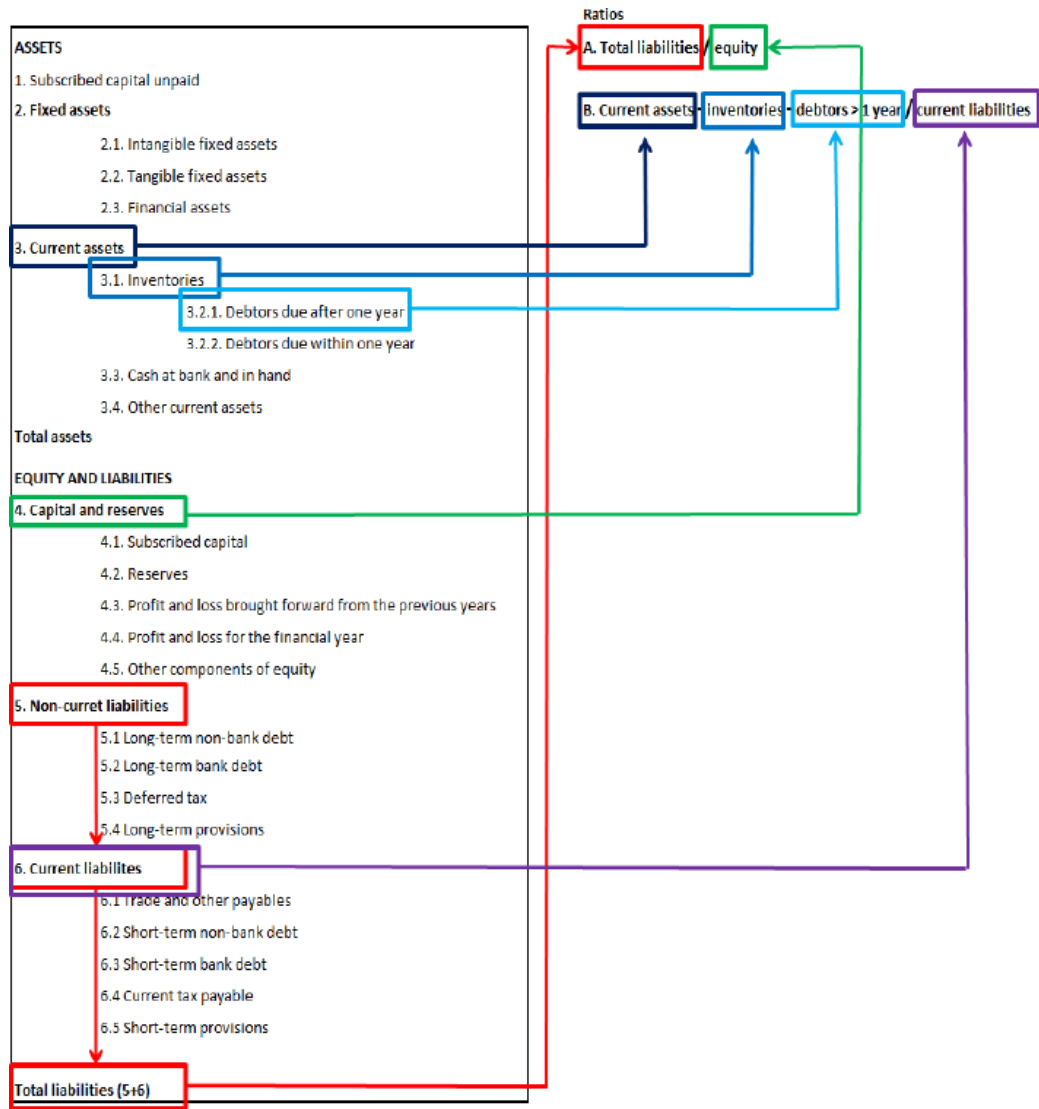
$$\text{Gross profitability} = \frac{\text{gross operating profit (GOP)}}{\text{turnover}}$$

$$\text{Financial autonomy} = \frac{\text{interest}}{\text{gross operating profit (GOP)}}$$

For a more realistic overview of your financial viability, these ratios will be calculated using the two most recent closed financial years (weighted 70% for year N and 30% for year N-1). For an accurate assessment, the financial information you provide should not be older than two years³.

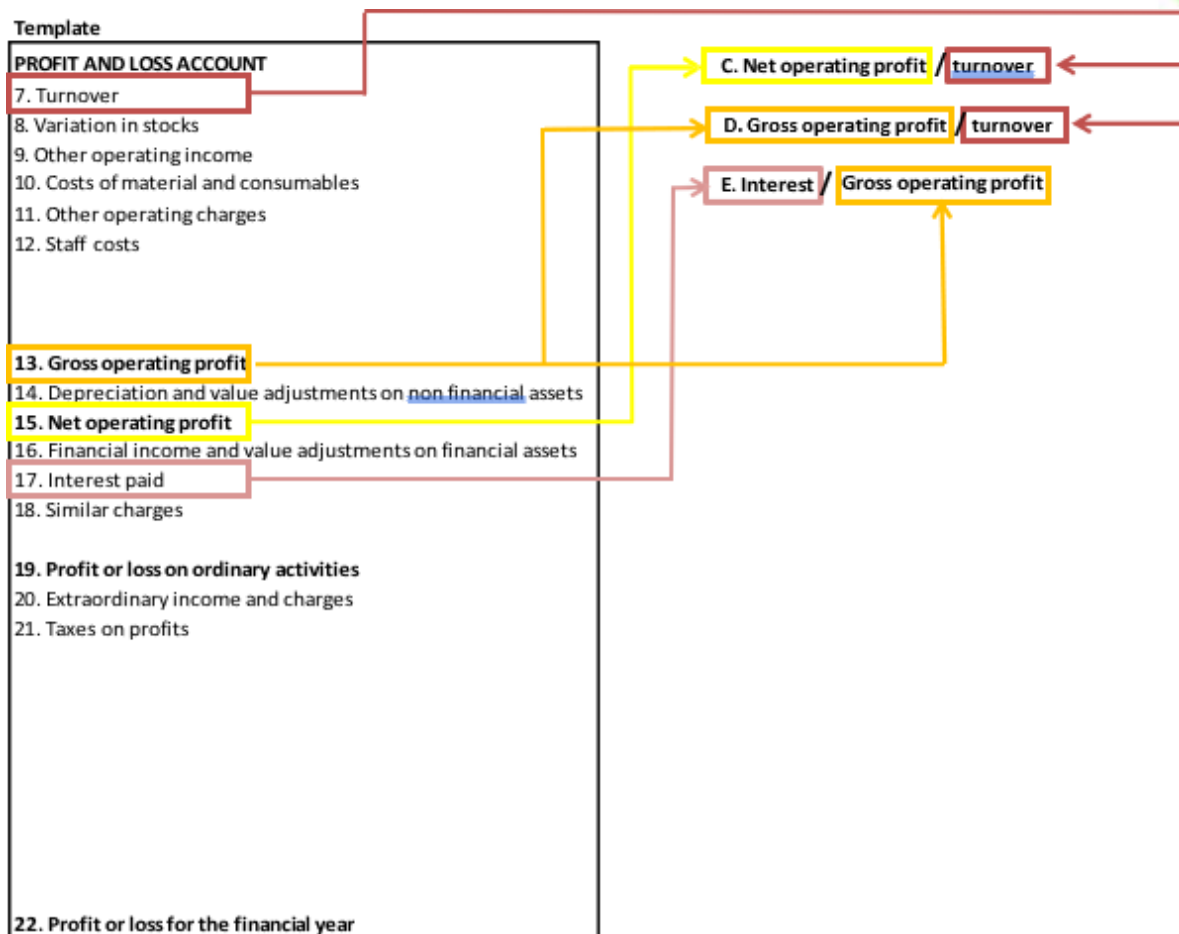
Balance sheet and profit and loss account templates

Balance sheet



Profit and loss account

³ In case definite figures from the previous year are not available yet, preliminary figures can also be inserted.



Scoring system

Each financial ratio is scored between 0 and 2 according to the following thresholds:

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 $i > 0,4$	$0,4 \geq i \geq 0,3$	$0 < i < 0,3$

where i represents the result of the financial ratio

Results and messages

The result is obtained by adding the individual qualifications (0, 1 or 2) calculated for each financial ratio.

After completing the self-assessment, SMEs will receive information about the scores obtained in each of the five financial ratios and the total score (0-10).

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

The results you receive from this check are not binding, and whatever your result is, we recommend you check your financial suitability to participate in Eurostars with your national funding body.

Online visualisation of the self-assessment tool

Year N-1
Year N

Closing date (mm/dd/yyyy)

Duration (in months)

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"/>
TOTAL ASSETS (1 + 2 + 3)	<input type="text" value="0"/>	<input type="text" value="0"/>

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

PROFIT & LOSS ACCOUNTS		
	Year N-1	Year N
7. Turnover	<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"/>
13. Gross Operation profit (GOP)	<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"/>
15. Net Operating Profit (NOP)	<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"/>
19. Profit or Loss on ordinary activities	<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"/>
22. Profit or loss for the financial year	<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	Score <input type="text"/>	<input type="text"/>

The Eureka Secretariat provides this tool to Eurostars applicants to carry out their financial viability check for their own information. The results generated by this tool are not legally binding. Due to the methodology used, the boundary economic situation and the business elements are not considered. The Eureka Secretariat does not give any warranty or other assurance, and may not be held liable in any way: for the results, their accuracy, completeness or appropriateness for any particular purpose.