

# Explanatory notes to Budget Spreadsheet

For budget forms refer to website

## E.1 Introduction and General Guidelines

All development expenses directly associated with the project, to be incurred by each company throughout its entire development phase, should be included in the budget (and not only those expenses falling within the scope of work of the VISTECH sponsored portion of the development). However, only those phases of the project up to, but not including, actual production and sales should be included in the budgets. A separate budget should be presented for each company's activities and should cover the entire duration of the project, as proposed.

VISTECH's funding of the project, if approved, begins from the effective start date of the VISTECH project, which can be no earlier than the first day of the month in which the final proposal is received at VISTECH headquarters, signed by an authorized official of each company. Expenses incurred by the companies prior to the effective start date cannot be recognized by VISTECH.

## E.2. Step by Step Explanation on Budget Preparation

NOTE: Instructions and comments related to specific expense components and data items are given for items colored light green. You can read the comments by pointing to the specific cell. The instructions and comments are also given below.

2. Whenever there is a need to define the name of a specific expense, such as the name & profession of a specific employee (in direct labor), the name and purchase cost of a specific equipment item, the name of a specific expendable material, etc., enter the definition in the appropriate location (always in a yellow-colored cell).

NOTE: If the formats of specific input cells do not provide you enough space to insert a meaningful description of the expense items, please attach an appendix to the budget form containing the referenced full-length description of these expense items.

### Explanation for budget items:

#### I. Direct Labor

The Gross Annual Salary, an input item, is the actual current salary plus social ("fringe") benefits of employees expected to work on the project. The maximum annual salary (including social benefits for a full-time position) currently recognized is \$US80,000 for Israeli companies and \$US100,000 for Victorian companies.

Typically, in addition to the engineering and technical personnel, the staff includes prototyping, R&D documentation and marketing personnel. NOT to be included are corporate executives, secretarial staff, legal staff, administrative staff or staff engaged in selling activities; such expenses are included in the overhead allowance.

The % on Project, an input item, is the average portion of any given worker's time spent directly on the project throughout the entire project, given as a %.

The Cost to Project, a computed item, is the product of the Gross Annual Salary (including social benefits) X% on project X number of months on the project / 12.

Overhead (O/H), at the rate of 25% on the total direct labor, is a computed item and includes all indirect labor overhead expenses.

## **II. Equipment**

Depreciation – this budget item refers to depreciation allowance on capital equipment employed and not to capital expenditures. The depreciation allowance equals the purchase cost of the equipment item being employed (an input item given in \$/unit) X number of units employed (an input item) X % of the time in which the equipment is employed on the project (an input item) X the annual depreciation rate (in % per year). The annual depreciation rate currently allowed is 33.3%.

The Leasing Cost equals the monthly lease cost or rental cost of capital equipment (an input item given in \$/unit/month) X the number of units leased/rented (an input item) X % of the time in which the leased/rented equipment is employed by the project (an input item) X project duration (in months).

## **III. Expendable Materials & Supplies**

List and describe each major item or groups of related items categorized as expendable materials and supplies.

## **IV. Travel**

Travel expenses should be classified as either foreign or domestic travel. In either case, the trips should be itemized by the destination and the purpose of the trip, which should be described in a few words. The cost (\$) is the cost per person per trip (an input item in \$) X the number of people per trip (an input item) X the number of trips of the same kind taken throughout the project (an input item). The duration per trip (in days) is just an informative data item.

## **V. Subcontracts**

Please identify each subcontractor, the service to be performed and the cost for each service. Explain the basis for the costs.

## **VI. Consultants**

Please identify each consultant, the nature of the consulting activity, the hourly rate upon which the charge will be made (an input item given in \$/hr.) and the estimated number of consultant hours (an input item).

## **VII. Other Expenses**

Typical "Other Expenses" include items such as exhibits, regulatory activities, standards certifications, field trials, patent registration, market surveys or other miscellaneous development-related expenses not covered by any of the previous expense categories. Please note that patent registration costs are allowable at up to \$20,000 per patent, subject to a maximum of \$25,000 per registration in two continents, with a maximum of two patents (\$40,000 or \$50,000) per project. General & Administrative Expenses (G&A), computed at 5% over the subtotal budget, represents all operating overhead items such as secretarial services, legal staff, rent, utilities, etc.

## **Projected Expenditure, by Segment**

The overall project period is organized in (equal, if possible) segments of approximately 6 months each; for the purpose of monitoring, reporting and payment of the conditional funding. For each segment in the project, please specify the segment duration (6 months, unless otherwise approved by VISTECH) and the estimated relative expenditures for the segment (given as % of the total budget). Please note that the total segments duration must equal the total overall project duration and that the % of total budget for all segments must sum to 100%.

*Applicants to note: Costs for undertaking the project must be calculated in US Dollars.*