

Research Commercialisation Accounting Guidelines

1. PURPOSE

To set out accounting guidelines associated with research commercialisation to assist administrators.

2. RELEVANT DEFINITIONS

Referenced from the Intellectual Property Policy of the University:

“Commercialisation Costs” means all costs and disbursements incurred by the University in connection with the Commercial Exploitation of Intellectual Property. Commercialisation costs include, but are not limited to, the costs of managing, registering, protecting and enforcing Intellectual Property rights, creation of prototypes, models and samples, research and development, proof of concept development, insurance, legal, financial and technical advice, marketing and travel, and other such expenses associated with carrying out that business activity.

“Commercialisation Revenue” means the gross revenue actually received and retained by the University from the Commercial Exploitation of Intellectual Property, after the payment of any withholding, goods and services or other taxes, bank fees, transaction fees and other charges. Commercialisation Revenue does not include income received from the provision of research, consultancy or other services and does not include any income derived from the delivery of the University’s fee-paying courses, including courses delivered collaboratively with third party educational institutions in Australia or internationally.

“Net Revenue” means the monetary amount retained by the University from the Commercialisation Revenue received from the Commercial Exploitation of Intellectual Property after:

- total Commercialisation Costs have been recovered or deducted from Commercialisation Revenue; and
- the legitimate claims of third parties are satisfied.

Referenced from Research Grant Management Policy of the university:

“Chief Investigator” means a researcher who applies for and receives research funds on behalf of the University, who leads the research activity and ensures that the research project is conducted in accordance with the terms and conditions of the funding agreement or contract. Where more than one Chief Investigator is identified in a project, the first named Chief Investigator shall be responsible for the management of the project.

“**Creator**” means any of the following:

- (a) in the case of a patentable invention subject to the Patents Act 1990 (Cth) - the Inventor;
- (b) in the case of a literary or artistic work, or similar, subject to the Copyright Act 1968 (Cth) - the Author;
- (c) in the case of designs registrable under the Designs Act 2003 (Cth) - the Designer;
- (d) in the case of plant breeders rights, under the Plant Breeders’ Rights Act 1994 (Cth) - the Principal Breeder;
- (e) in the case of circuit layouts, under the Circuit Layouts Act 1999 (Cth) - the Designer;
- (f) in the case of software and computer code - the software author; and
- (g) in the case of trade secrets and know how - the contributors to that body of knowledge.

3. ACCOUNTING OF RESEARCH COMMERCIALISATION PROCESS

3.1 Stage 1 - OPPORTUNITIES

Research commercialisation opportunities stem from completion of research projects. The results of research projects sometimes lend themselves to be commercialised and to obtaining profits from these research-commercial activities.

Research projects can be:

- External Research Projects (HERDC reportable research) – Projects linked to activity code RE;
- Work completed with funding from Research Block Grants (AGDOE funding) – Projects mostly linked to activity codes RE, RI and RM;
- Internal Research Projects – Projects linked to activity code RG.

The above research projects are very specific to the funding provided to complete specific research work and each is set up with a unique research title in the Financial System - External research projects are aligned with the Research Management System set up.

The transactions in the above projects are not including transactions relating to research commercialisation activities. In addition no funding, expenditure, or reporting of research commercialisation should include any of the above.

3.2 Stage 2 - RESEARCH COMMERCIALISATION DEVELOPMENT

The development stage of research commercialisation is initiated by the chief investigator of completed research and all disclosure documentation need to refer to the completed research including quoting the relevant project codes (listed in 3.1).

The funding and expenditure of the development stage of the research commercialisation process need to be recorded separately and a specific project code is required for this purpose.

A project code is to be requested via the online form (open project request form) from FBSC web page:

- Project code - from the range (allocated block of numbers) of projects available in the relevant school/business area
- Cost centre – relevant school/business area
- Activity code – CR
- Funding code – internal funding
- Coordinator – Chief Investigator of the completed research which the research commercialisation is referring to
- Project title – “title of the research commercialisation” – “completed research project code(s) it refers to”
- End date - envisaged/planned date for development to be completed

Coding of transactions as per normal accounting principles and policies. Budgets included as per the budget process. Note all transactions for the project need to be recorded in the project code as it occurs and managed from this specific project.

3.3 State 3 - IMPLEMENTATION/REALISING RESEARCH COMMERCIALISATION

Once the initiation and development stage is completed one of the following will occur:

- Project code will be closed due to unsuccessful development of the intellectual property and/or a decision is made to terminate; or
- Project code will be adjusted to continue due to successful development of intellectual property and/or a decision to implement and/or returns realise. Research commercialisation agreement(s) to be provided as supporting documentation for any changes requested to projects (activity CR).

It is of utmost importance that ALL expenditure and income are recorded in the project as it will form the basis of evaluations of the specific research commercialisation.

FBSC Faculty Finance teams will ensure the timely transacting of income and expenditure as specified in the relevant agreements and documentation.

Account codes to be used for research commercialisation income accounting purposes specifically:

- 1382 Research Commercialised Income (ECU IP) (only available on CR activity type projects) - Income>Returns in relation to licenses, royalties, assignments, options (non HERDC) generated with ECU IP

- 1341 Professional Consultancy Research Related (ECU IP and not course related) - Income/Returns in relation to consultancies delivered using ECU IP
- 1342 Research Contracts (ECU IP and not course related) – Income/Returns in relation to research contracts delivered using ECU IP

- 1843 Allocation Current Year Income Ad Hoc Items Receiving (cr) – Internal funding support

Account codes to be used for research commercialisation expenditure accounting purposes specifically:

- 4107 Registration fees for patents, rights and trademarks – Expenditure to register patents, rights and trademarks officially nationally or internationally
- 4102 Market research – Expenditure for evaluating the market as input in decision to continue development.
- 2801 Fees and Costs Consultants – Expenditure for consultants to assist with development excluding legal and registration costs.
- 2802 Fees and Costs Legal – Expenditure for legal costs excluding registration costs.

Note: Additional account codes will be added as per normal chart management processes depending the specific projects and evaluated need in the chart at the time, i.e. manufacturing of items.

3.4 Stage 4 - ALLOCATION OF RETURNS RESEARCH COMMERCIALISATION

CONFIRMATION OF NET REVENUE:

FBSC, Business Development will review the relevant project code reports and transactions to ensure a fair representation of expenditure and income prior to confirming Net Revenue and making any allocations of returns (completion of payment forms). A specific report (Oracle Financials) is available to differentiate between expenditure in the project and distributions made.

CALCULATION OF ALLOCATIONS:

Allocations of return will be made in line with ECU's Intellectual Property Policy and other relevant policies as well as the revenue sharing agreement that is in place with the Inventor(s).

After confirmation of the Net Revenue by FBSC, Business Development, payment forms and allocation journals will be completed.

Payroll processing requires completion and submission of the Research Commercialisation Distribution Payment form. Allocation journals will be prepared and processed to specific research commercialisation account codes.

INDIVIDUALS/CREATORS ALLOCATION:

The employee share of the commercialisation proceeds will be paid via payroll and is subject to income tax (PAYG), superannuation, payroll tax and workers compensation. The proceeds cannot be salary sacrificed because any salary sacrifice agreement entered into once the entitlement to the proceeds has arisen would not be prospective, and would not satisfy the ATO requirements. Employees leaving the university, as well as individuals

(creators) who have never been staff members at ECU, will be paid on the same basis via payroll.

YEAR-END PROCEDURES:

Year-end procedures include a review of any returns owing and accounted for as per normal accounting principles and ECU policies and procedures.

- Account code 4108 Research commercialisation returns distribution payment (entities) - Specific allocations (based on net revenue) excluding payments to individual creators but made external to the university as required.
- Account code 9933/9633 Internal Research Commercialisation recovery/charge - Allocations/charges (based on net revenue) made internally to the University’s Strategic Initiatives Fund for strategic investment in research or commercialisation .

Returns allocated (based on net revenue) to all individuals/creators via Payroll system:

- 2900 Research Commercialisation Distribution
- 2940 Research Commercialisation Distribution Workers Compensation
- 2941 Research Commercialisation Distribution Payroll Tax

4. REPORTING AND REVIEWS

Monthly reports (Research Comm Project Report) from the financial system is available similar to other project code reporting.

Contract variations/terminations affecting the continuance of the relevant research commercialisation project is to be communicated via the chart process to enable terminating or adjustment of projects codes.

Project codes linked to activity code CR are included in Research Commercialisation Submissions to AGDOE and ABS.

FBSC will review research commercialisation projects on an ad hoc basis for accuracy. Research commercialisation projects are subject to audit.

References

Owner:	Manager, Business Services (FBSC)
Related Policies/Documents	Research Grant Management Policy Intellectual Property Development Policy (co001) Asset Management Planning and Approval of Capital Expenditure Policy. Asset Management Recording Tracking and Disposal

	<p>Policy</p> <ul style="list-style-type: none"> Joint Ventures Policy ECU Industry Collaboration Scheme ECU Early Career Research Grants Scheme Funding for Joint Research Applications Conduct of Ethical Human Research (ac023) Conduct of Ethical Research and Teaching involving Animals (aco25) Code of Conduct (hr117) Principles for the responsible conduct of research at ECU (ac074) Research Misconduct (ac091) Research Data and Records Management (ac076) University Research Groups, Centres and Institutes Policy (ac020) Tobacco Sponsorship and Promotion Delegated Authorities for Research Activities Integrated Risk Management Policy (rm001) Fraud and Misconduct Prevention and Management Policy (rm002) Competitive Neutrality and Anti-Unconscionable Conduct Procedure Research Agreements, Collaborative Research and Conflicts of Interest Policy (ac075). University Services Charge Policy Accumulated Operating Surpluses Policy FBSC Accounting Policies and Procedures ECU Research Commercialisation Framework
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