
GIFT CERTIFICATES

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Summary

Businesses that sell or donate gift certificates need to set up special accounts and handling procedures.

Scenario I: Gift Certificates That Are Sold

A. Setting Up Accounts & Items

The following Accounts and Items should be created.

Create Accounts

Create a new account as follows:

Type: Other Current Liability
Name: Gift Certificate Payable
Description: Unredeemed Gift Certificates

This account will track the outstanding liability of gift certificates sold, but not yet redeemed.

Create Items

Create new Items as follows:

Type: Other Charge
Item Name: GC Sold or Donated
Description: Gift Certificate Sold #
Amount: [Leave as 0.00]
Tax Code: Non-Taxable
Account: Gift Certificate Payable-Other Current Liability

Type: Discount
Item Name: GCR-Gift Cert Redeemed
Description: Gift Certificate Redeemed #
Amount: [Leave as 0.00]
Account: Gift Certificate Payable-Other Current Liability
Tax Code: Non-Taxable

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B. Entering Gift Certificate Sales

There is no need to create a separate invoice for the gift certificate sale; just add it to the regular Daily Sales invoice as described below.

Step 1	Ring up the sale as normal at the cash register. a. Enter the sale as a non-taxable item. You should be able to program the cash register key, or you may have to manually deduct the tax from the sale. b. Enter the sale as Cash, Check or Charge as appropriate.
Step 2	Add the Gift Certificate Item to the Daily Sales invoice. Item: GC Sold Description: Delete the words "or Donated" from the description; enter the gift certificate tracking number Amount: Enter amount
Step 3	Zero out the gift certificate sale by receiving payment. Item: Enter the payment received, either Cash, Check or Charge. (Note: To do this, you must have the appropriate Payment item setup in the Item list.)
Step 4	Continue with other items on the invoice, then Save & Close. Print a copy of the invoice, highlight the Gift Certificate sale, and file a copy in your Gift Certificates file.

You now have an invoice which records the sale and receipt of the payment for the gift certificate, and a liability on the books which will remain until the gift certificate is redeemed.

Sample Invoice: Gift Certificate Sold

Customer: Job Class Template Customize
Daily Sales Landscaping Invoice

INVOICE

TO: Daily Sales

DATE: 06/28/2004 INVOICE NO.: 150

TERMS DUE DATE
06/30/2004

ITEM	DESCRIPTION	QTY	RATE	AMOUNT	Tax
GC Sold	Gift Certific Sold #040628a	1	50.00	50.00	Non
Cash	Cash Received		-50.00	-50.00	
Customer Tax 8.25% Alam... (8.25%)				0.00	
Total				0.00	

Customer Message Tax Balance Due 0.00

Sale posts to a liability account until the Gift Certificate is redeemed.

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C. Redeeming A Purchased Gift Certificate

When the customer redeems the gift certificate, products are going out but no cash is coming in. Here's how to record the transaction, continuing with the example of a \$50.00 gift certificate.

Step 1 | **Ring up the sale as normal at the cash register.**

- a. Enter the sale for the full amount.
- b. Enter the amount paid by the Gift Certificate as a Cash sale.

Note: If the total sale is for **more than** the Gift Certificate total, enter the remaining balance due payment received just as it was paid, either Cash or Charge.

Example: Sale Amount = \$75.00
Gift Certificate = \$50.00 "cash" received
Cash = \$25.00 cash received -or-
Charge = \$25.00 charge received

Put the gift certificate in the cash drawer, for later entry into QuickBooks.

Step 2 | **Create an invoice for the gift certificate redemption.**

Customer: Daily Sales
Item: GCR-Gift Cert Redeemed
Description: Gift Certificate Redeemed #[enter tracking number]
Qty: 1
Amount: Enter amount redeemed

Step 3 | **Save & Close.**

Print a copy of the invoice, highlight the gift certificate redemption line item, and keep it in your Gift Certificates file.

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Sample Transaction: Gift Certificate redeemed in full.

Customer: Job Daily Sales Class Landscaping Invoice Template Customize

DATE: 06/30/2004 INVOICE NO.: 152

TO: Daily Sales

PAID

TERMS DUE DATE 06/30/2004

ITEM	DESCRIPTION	QTY	RATE	AMOUNT	Tax
Food	Food Sales	1	100.00	100.00	Tax
GCR-Gift Cert R...	Gift Certificate Redeemed #040628a		-50.00	-50.00	Non
Cash	Cash Received		-58.25	-58.25	
Customer Message					
	Tax 8.25% Alam...		(8.25%)	8.25	
Total				0.00	

To be printed To be e-mailed Customer Tax Code Tax Balance Due 0.00

Memo Save & Close Save & New Revert

In this example, the **full amount** of the gift certificate is redeemed.

The Gift Certificate Payable liability account goes down to zero.

Sample Transaction: Gift Certificate partially redeemed.

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Customer: Job Daily Sales Class Landscaping Invoice Template Customize

DATE: 06/30/2004 INVOICE NO.: 152

TO: Daily Sales

PAID

TERMS DUE DATE 06/30/2004

ITEM	DESCRIPTION	QTY	RATE	AMOUNT	Tax
Food	Food Sales	1	35.00	35.00	Tax
GCR-Gift Cert R...	Gift Certificate Redeemed #040628a		-37.89	-37.89	Non
Customer Message					
	Tax 8.25% Alam...		(8.25%)	2.89	
Total				0.00	

To be printed To be e-mailed Customer Tax Code Tax Balance Due 0.00

In this example, only a **partial amount** of a \$50 gift certificate is redeemed.

The Gift Certificate Payable liability account retains a balance of \$12.11.

Make a note on the gift certificate of the amount remaining, \$12.11, and let the customer keep it until it is redeemed in full.

In addition, put a note or a photocopy in the cash register of the partial redemption; be sure to include the gift certificate number. The partial redemption can then be entered into QuickBooks.

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Scenario II: Gift Certificates That Are Donated

A. Setting Up Accounts & Items

The following Accounts and Items should be created.

Create Accounts

Create a new liability account (or use the one created above) as follows:

Type: Other Current Liability
Name: Gift Certificate Payable
Description: Unredeemed Gift Certificates

This account will track the outstanding liability of gift certificates donated, but not yet redeemed.

Create a second account as follows:

Type: Cost of Goods Sold
Name: GCE – Gift Certificate Expense
Description: Gift Certif Expense-Donation

Since no cash will ever be received for a donation, this account tracks the donated gift certificate's redemption as a Cost of Goods Sold expense.

Create Items

Use the same Items as those used for gift certificates sold.

Type: Other Charge
Item Name: GC Sold or Donated
Description: Gift Certificate Sold #
Amount: [Leave as 0.00]
Tax Code: Non-Taxable
Account: Gift Certificate Payable-Other Current Liability

Type: Discount
Item Name: GCE-Gift Certificate Expense
Description: GCE-Gift Certific Exp for donated GC
Amount: [Leave as 0.00]
Account: GCE – Gift Certificate Expense-Cost of Goods Sold
Tax Code: Non-Taxable

Create A New Customer

Create a generic non-taxable gift certificates customer, to be used for gift certificate donations only.

Customer Name: Gift Certificates Donated
Additional Info | Sales Tax Information | Tax Code: Non

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B. Entering Gift Certificate Donations

A donation needs to be handled differently than a sale. Use the following procedures.

Step 1	There is no cash register sale to record; create an invoice for the donation. Add the Gift Certificate Item to the Gift Certificates Donated invoice (not the Daily Sales). Item: GC Sold Description: Delete the words "Sold or" from the description; enter the gift certificate tracking number Amount: Enter amount
Step 2	Zero out the invoice by offsetting the sale against Cost of Goods Sold. Item: GCE-Gift Certificate Expense Description: Use default Amount: Enter a negative amount for the full value of the gift certificate The invoice total is now \$0.00.
Step 3	Save & Close. Print a copy of the invoice and keep it in your Gift Certificates file.

You now have an invoice which records the donation, which is offset by the cost of goods sold.

How to Determine the Value of the Cost of Goods Sold

Restaurants

If the donation is for a fixed amount, say \$75, use that amount.

If the donation is for "Dinner for Two," do not enter the gift certificate donation into QuickBooks until the customer redeems the gift certificate. Once redeemed, be sure to immediately write on the gift certificate the full value of the meal (photocopy the sales ticket if possible), then add the redemption to that day's Daily Sales invoice in QuickBooks. Enter the meal's value as the sale price, then offset to zero by the GCE item.

Retail Stores

If the donation is for a fixed amount, say \$75, use that amount.

If the donation is for a gift basket of items, make a list of the items included in the basket with their corresponding cost of goods values, the date, and the name of the recipient organization.

Create a separate invoice for the donation items only, using the generic customer "Gift Certificates Donated ." Enter each item sold at its cost of goods value (not the retail price), and offset the entire invoice to zero with the GCE item. The invoice is non-taxable.

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Sample Invoice: Gift Certificate Donation

Customer: Job
Daily Sales

Class: []

Template: Landscaping Invoice

DATE: 07/01/2004 INVOICE NO.: 154

TO: Daily Sales

TERMS: [] DUE DATE: 07/01/2004

ITEM	DESCRIPTION	QTY	RATE	AMOUNT	Tax	
GC Sold	Gift Certific Donated #040701	1	75.00	75.00	Non	
GCE-Gift Certifi...	GCE-Gift Certific Exp for donated GC		-75.00	-75.00	Non	
Customer Tax Code				8.25% Alam...	(8.25%)	0.00
Total						0.00

Balance Due: 0.00

Buttons: Save & Close, Save & New, Revert

Footer: Spend more time growing your business and less time doing payroll - find out more about Intuit Payroll Services!

Sample Invoice: Gift Certificate donation for gift basket of items

Customer: Job
Gift Certificates Donated

Class: []

Template: Landscaping Invoice

DATE: 07/01/2004 INVOICE NO.: 155

TO: Gift Certificateds Donated

TERMS: [] DUE DATE: 07/01/2004

ITEM	DESCRIPTION	QTY	RATE	AMOUNT	Tax	
Soap	Package of vanilla soaps	1	1.55	1.55	Non	
Bath Beads	Scented bath beads	2	1.25	2.50	Non	
Facial Cleanser	Facial Cleanser	1	9.75	9.75	Non	
GCE-Gift Certifi...	GCE-Gift Certific Exp for donated GC		-13.80	-13.80	Non	
Customer Tax Code				County, Sa...	(6.5%)	0.00
Total						0.00

Balance Due: 0.00

Buttons: Save & Close, Save & New, Revert

Change the retail price of each item to the COGS value.

Offset total sale with GCE item.

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C. Redeeming A Donated Gift Certificate

There is no transaction to record in QuickBooks when a donated gift certificate is redeemed. The cost of goods sold was already entered when the donation was made.

Scenario III: Comp Meals (Restaurants)

If a customer has a coupon for a "free meal" or a "free dessert" use the following procedures.

A. Setting Up Accounts & Items

Create a new account as follows:

Type: Income
Name: Comp Sales
Description: Comp Sales

This account will track the comp sales. The amount will always be zero, but the data can be referenced in order to track volume of comp meals.

Create Items

Create new Items as follows:

Type: Other Charge
Item Name: Comp Item
Description: Comp Item: (describe)
Amount: [Leave as 0.00]
Tax Code: Non-Taxable
Account: Comp Sales

B. Entering Comp 'Sales'

Write up the sales ticket and ring up the sales as normal; enter the comp item as "0.00."

Step 1	Ring up the sale as normal at the cash register. a. Enter the sale of the meal as normal, with a dollar amount of \$0.00.
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Step 2	Add the Comp Item to the Daily Sales invoice. Item: Comp Item Description: Comp Item: [enter full description] Amount: 0.00
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Step 3	Complete the Daily Sales invoice; Save & Close.
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Sample Invoice: Comp Item

Customer: Job
Daily Sales

Class
Landscaping Invoice

Template Customize

DATE: 07/17/2004 INVOICE NO.: 156

TO:
Daily Sales

TERMS DUE DATE
07/17/2004

ITEM	DESCRIPTION	QTY	RATE	AMOUNT	Tax
Food	Food Sales	1	75.00	75.00	Tax
Beverage	Beverage Sales	1	15.00	15.00	Tax
Comp Item	Comp Item: Dessert	1	0.00	0.00	Non
Cash	Cash Received			-97.43	
Customer Tax Code Tax 8.25% Alam... (8.25%)				7.43	
Total				0.00	

Customer Message
Tax 8.25% Alam... (8.25%) 7.43

To be printed To be e-mailed Customer Tax Code Tax Balance Due 0.00

Memo Save & Close Save & New Revert

Create a Daily Sales invoice as usual

Enter the Comp item as its own line, with a description of the item, at \$0.00.

C. Tracking Comp Meals Volume

At the close of each month, run a P&L report and drill down to the detail of the items which comprise Comp Sales Income; they will add up to \$0.00. Print the report and file it. This report will provide an indication of the volume of monthly comp meals.

Note: The value of the comp meals are already in QuickBooks, in the Cost of Goods Sold, when the ingredients were purchased to which comprise the meal. No income is booked to offset the meal cost, but the Cost of Goods Sold is captured in the purchase of the ingredients.