

Selling and Redeeming Gift Certificates

If you decide to provide gift certificates that can be used as currency by your customers, you are effectively creating a new payment type (just like cheques or cash). When you sell the gift voucher in the first place you will receive real currency that can be banked. When customers then use the gift certificate to pay for goods you will record the gift certificate value as part of the \$ received.

Gift Vouchers and GST

When selling a gift voucher, it is important to know when to report the GST for the gift voucher on your BAS.

If you sell a gift voucher which can be redeemed for a choice of goods or services up to that value, you report the GST for that gift voucher when the gift voucher is redeemed, not when the gift voucher is sold. If only part of the gift voucher is redeemed, you only need to report the GST on that part.

However, if the gift voucher is for a specific product or service, you report the GST when the voucher is sold.

As gift certificates are not real currency that can be sent to the real bank, you will need to create a separate bank account (detailed credit card liability account) that you can bank certificates into in a separate banking session, to ensure there is no duplicate income recorded.

As gift certificates are redeemed by customers and banked, the liability will reduce. The \$ value in the Gift Voucher Header account (which is the difference between the Gift Voucher Sold and Gift Certificates Redeemed liability accounts) will indicate the value of certificates still in circulation.

Non-Serialised Gift Certificates

You will create a non-depleting stock that belongs to a Stock GL Group that will help move the liability around correctly. The Stock GL Group will move the sale \$ of Gift Voucher to the 2XXXX Gift Certificates Sold liability account automatically.

Serialised Gift Certificates

You will create a depleting serial on PO stock that belongs to a Stock GL Group that will still move the liability around correctly. You will need to Purchase the certificates from yourself at \$0 to record the serial#, ready to sell. The Stock GL Group will show a \$0 value in Assets (stock on hand for Gift Certificates) and move the sale \$ of Gift Voucher to the 2XXXX Gift Certificates Sold liability account automatically.

Go to Tools > Setups > Payment Types. Add a new Payment Type called Gift Voucher. Tick **Show in Debtors**, but do **not** tick Show in Creditors, Reconcile Separately, Electronic Payments or Allow Negatives. Save.

Go to Accounts > General Ledger:

At the 1 – Asset tab under SOH

- Add a 1– SOH account called Gift Certificates

At the 2 – Liability tab under Current Liabilities:

- Add a new 2- HEADER Account called Gift Certificates
- Under the header account ADD a new 2- Detail account called Gift Certificates Sold
- Under the above account add a new 2- Detail Credit Card Account (Postable) called Gift Certificates redeemed.

At the 5- COGS tab under COGS:

- Add a new 5- COGS account for Gift Certificates

Close out of the General Ledger.

Go to Tools > Setups > Stock GL Groups

Non-Serialised = Add a new Stock GL Group called Gift Certificate with a Type = Non-Depleting, COGS GL Acc = the new 5XXXX account as above, Income GL Acc = the new 2XXXX Gift Certificate Sold Account as above

Serialised = Add a new Stock GL Group called Gift Certificate with a Type = Depleting, Special.
Select the SOH GL Acc = the new 1XXXX account as above, COGS GL Acc = the new 5XXXX account as above, Income GL Acc = the new 2XXXX Gift Certificates Sold account, as above. Save and Close.

Stock Type:	Depleting, Special		
Stock GL Group:	Gift Certificates		
Purchase GL Acc:	11396	SOH - Gift Certificates	Asset - Normally 1xxxx Account
COGS GL Acc:	51201	COGS - Gift Certificates	Cost Of Sales - Normally 5xxxx Account
Income GL Acc:	21701	Gift Certificates Sold	Income - Normally 4xxxx Account (or 2xxxx for Liability)

Stock GL Group setup for serialised Gift Certificates

Go to Stock > Add Stock

Code = GIFT.CERTIFICATE

Type = Non-depleting (for non-serialised) or Depleting (for serialised)

GL Group = Gift Certificate

Description = Gift Certificate

For the option **I Sell in** – change the Tax Code to X

Serial number = Not Required (non-serialised) or = On Purchase (for serialised)

Price Level = 1

Price Calc Method = Fixed Price

Tax Paid \$9999 – or something else that will prompt staff to change the sell value to equal that of the certificate!

Save and Close.

FOR SERIALISED GIFT CERTIFICATES

Go to Purchases > Add Purchase

Vendor = your company

Stock code = GIFT CERTIFICATE

Ordered = the number of certificates in the booklet

Received = the number of certificates in the booklet

The serial# entry grid will pop up – it's recommended you use the **Generate** function to create the serial numbers in sequence as per the booklet numbering.

Price = \$0

FINISH the PO. Save and Close

Selling the Gift Certificates

Serialised or not, it is now a matter of selling the certificates to people in exchange for real money that can be banked. In a normal job, you can sell the gift certificate for whatever \$ you are offering. Bank the money they give you in the normal way.

Remember: in the GL, selling a gift certificate does not increase sales income. It in fact becomes a liability awaiting the customer to come in and buy some of your real stock.

Customers Using the Gift Certificates

When the customer finally decides to use the certificate, you will sell them your stock, on a sales job in the normal way. When it comes time to process payment, the Payment Type = Gift Certificate. You can receive multiple payments from

a customer against a sale (ie. \$50 voucher + \$20 cash + \$30 Mastercard). If Voucher \$ is greater than overall sale value, you have the choice to give the customer the difference either as a cash refund or debtor credit to use later.

Banking the Gift Certificates

As customers use the gift certificates you will see them appearing in Unbanked Funds.

It is very important that you bank these into the GIFT CERTIFICATE REDEEMED (CREDIT CARD LIABILITY) ACCOUNT.

Why is this so?

Each time you sell a gift certificate, you create an equal \$value liability in that Gift Certificates Sold Liability account. When you bank the voucher into the Gift Certificates Redeemed account, you reduce the liability.

Think this through carefully – you took the customer's real money up front and banked it into your normal bank account. They then turn up later and buy stock to that value. You aren't getting paid twice.

Certificates in Circulation Prior to Go-Live

For serialised pre-sold gift certificates you need to:

- Add an Opening Balance PO for certificates currently in pre-Jim2 circulation: purchase value @ \$0 but record serial#.
- Sell the customers the correct serial# certificate for \$X (on a job – creates the liability).
- Now wait for them to redeem it on a job, and bank into Gift Cert Bank Account (wipes \$X liability the sale created.)

For non-serialised pre-sold gift Certificates, you need to:

- Sell the customers a certificate for \$X (on a job – creates the liability),.
- Now wait for them to redeem it on a job and bank into Gift Cert Bank Account (wipes \$X liability the sale created).

For further assistance or information please call Happen support on 02 9570 4696 or email support@happen.biz