

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.
Gift Certificate Accounting Policy and Procedures

The purpose of this policy statement is to provide the Association with accounting policy and regulations governing the sale, redemption, and write-off of gift certificates.

Guidelines

Gift certificates must be pre-numbered and should not have an expiration date printed on them. They must be maintained in a secure location with controls to prevent counterfeiting and misuse. A separate log of outstanding gift certificates should be maintained and must include the serial number of the certificate, its value, and the date the certificate was sold.

Sale of Gift Certificates

Accounting regulations require that the recognition of revenue from the sale of a gift certificate should not occur until the gift certificate is redeemed. Therefore, at the time the gift certificate is sold, a Deferred Revenue account (balance sheet liability) is recorded and not Revenue. The accounting transaction is a debit to cash and a credit to deferred revenue. The gift certificate should be recorded in the log of outstanding gift certificates.

Redemption of Gift Certificates

When the gift certificate is presented in exchange for merchandise or services revenue is recognized. The accounting transaction is a debit to deferred revenue (reducing the liability) and credit to revenue. The log should be updated to reflect that the certificate has been redeemed and should include the date of redemption.

At any point in time, the liability in the Deferred Revenue account should equal the value of outstanding gift certificates maintained in the log.

Write-off of Gift Certificates

It is the policy of the Association to keep no more than two years of outstanding gift certificates at the end of each fiscal year, because at that point the likelihood of redemption is deemed to be remote. At the end of the fiscal year, the value of any gift certificates more than two years old should be written-off and recognized as income. The accounting transaction is a debit to deferred revenue (reducing the liability) and a credit to revenue (non-merchandise revenue).

In the State of California (effective 1/1/1997) gift certificates cannot contain an expiration date and are not subject to state escheat regulations. Cal. Civ. Proc. Code § 1520.5.

Any gift certificates previously written-off that are presented in exchange for merchandise or services will be honored by the Association. The accounting transaction is a debit to non-merchandise revenue (reversing the write-off transaction) and a credit to merchandise revenue (text books, etc).