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USING MODERN BUSINESS PRACTICE TO ENHANCE THE LEARNING PROCESS IN THE INTRODUCTORY ACCOUNTING COURSE

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ABSTRACT

Industrial cases and projects do not connect with millennial students. They do not care about accounting for Buicks or old warehouses filled with dusty inventory. Their parents buy Buicks. They, on the other hand, understand and consume music, movies, and iPhone apps. For students of the digital age who want a job offer from Google or Apple, traditional industrial examples are not effective instructional tools.

Instead, accounting professors need a powerful teaching example that's instantly understood across the academic landscape. This paper explores such a project. The Gift Card Project addresses new business challenges from marketing, accounting, supply chain, and overall business strategy perspectives, providing a robust, meaningful, and relevant learning experience for millennial students. There are plenty of business strategy issues to go around and more than enough "what-ifs" to occupy the best accountant.

INTRODUCTION

The gift card, one of the most dynamic business practices of the 21st Century, emerged in the mid-1990s to replace the paper-based gift certificates that became popular in the 1930s. A gift card is a "credit card" type of product that carries a balance via prepayment. Gift card expenditures have gone from less than $1 billion annually to more than $100 billion in 2012. They are a growing source of revenue for diverse retail giants, such as Macy's, Home Depot, and McDonald's, as well as for smaller local vendors. Their popularity and use spans all ages, from baby boomers to the millennial generation. Social media gift cards are extremely popular with the millennial generation due to the vast assortment of 21st century entertainment tools, such as iTunes and iPhones, now available. Gift cards are the preferred method of rewarding performance on the job; movie theaters and other popular youth-oriented retail venues award them in loyalty programs, and they are the ideal gifts for this generation. For these reasons, we believe a project designed around gift cards provides the perfect contemporary instructional tool to achieve the common learning objectives in introductory financial accounting.

Based on our review of several sources, including the Accounting Education Change Commission report (1990), Albrecht and Sack (2000), and Ammons and Mills (2005), along with current textbooks in financial accounting, we noted the following common learning objectives for the introductory course in financial accounting:

1. Develop analytical and problem-solving skills.
2. Understand key accounting concepts and principles.
3. Perform transaction analyses for typical business events (e.g., prepare journal entries).
4. Acquire sufficient knowledge and skills to complete the accounting cycle.
5. Prepare basic financial statements (e.g., balance sheet, income statement, and statement of owners' equity).

Table 1 illustrates how the Gift Card Project supports these key learning objectives for the introductory course in financial accounting.

Demirdjian (2012) and Milliron (2008) both note that the millennial generation is engaged by trendy practices, gadgets, and consumer choice. By connecting current trends in consumer practices (i.e. gift cards, including digital versions) with classroom instruction, the Gift Card Project addresses the emerging issue of how best to teach introductory accounting to the millennial generation. In addition, we believe that the Gift Card Project will have long-term relevance, replacing the manufacturing examples that historically have been used in introductory courses in accounting to become the 21st Century Practice Set. In this paper, we describe the Gift Card Project and discuss its relevance to the introductory course in accounting.

USEFULNESS OF RELEVANT CASE STUDIES

Since the early 1990s, there has been a constant striving toward innovation and improvement in accounting education, with the Accounting Education Change Commission (AECC) in the

TABLE 1

Learning Objectives Related to Specific Gift Card Project Task

Learning Objectives	Specific Gift Card Project Task
Develop analytical and problem-solving skills	Evaluate the gift card sales transaction and determine its impact on assets, liabilities, revenue, and cash flow.
Understand key accounting concepts and principles	Identify the relevant key accounting terms, from inventory, to unearned revenue, to revenue recognition, to matching principle.
Perform transaction analyses	Translate the gift card sales process directly and indirectly (through third party vendors) from the sales to the redemption process.
Learn the accounting cyclet	Trace the gift card process through the accounting cycle, noting how each phase is impacted.
Prepare financial statements	Indicate how the gift card series of transactions impacts balance sheet and income accounts.

forefront of this effort. The AECC was formed by the recommendation of the American Accounting Association (AAA) Committee on the Future Structure and Content and Scope of Accounting Education, popularly referred to as the Bedford Committee (AAA, 1986). The AECC fostered a new approach to course design for the introductory course in financial accounting. Historically, this course focused on the preparer's perspective (AECC, 1990), a view which placed significant emphasis on learning "debits and credits" through underlying theory and practice in translating economic events into journal entries. Research showed that this approach did not prepare students to become business leaders and advisors. Moreover, the preparer's perspective also failed to attract and retain some of the best and brightest students as accounting majors.

The AECC promoted and funded the design of a more user-oriented introductory course in accounting. The new focus is intended to provide insight into the value of accounting information, the role it plays in key business decisions, and the overall purpose of financial statements. There is less emphasis on rigorous practice sets, common in the more "preparer-oriented" course, and more emphasis on learning material that focuses on the broader dimensions of accounting. This approach allows accounting to be used as a tool to evaluate performance and to make business decisions.

The AECC also funded various surveys and studies leading to the use of innovative technology, analogies, and case studies to enhance the learning process. The seminal work by Albrecht and Sack (2000) further challenged academia to improve the curriculum and to strengthen the relevance of accounting education for new generations of students. Recent studies on the millennial generation of students, as reported by Milliron (2008), suggest that it is essential to design and deliver accounting education in a manner that reflects modern learning styles in the present social media environment. Other studies, such as Guney (2009) and Ramsden (2003), have sought to identify exogenous and endogenous factors as key determinants in classroom learning, such as the quality of teaching and teaching materials, or student age and country of origin. Guney and Ramsden noted, through surveys of business, accounting, and non-business majors, that teaching materials played a key role in an overall successful classroom experience. More specifically, supplemental materials, case studies, and other materials beyond the textbook were noted to be key exogenous determinants of classroom learning. The 2012 Pathway Commission Report calls for even more student engagement in the classroom.

In the 20-plus years since the Bedford Committee released its findings, and despite the AECC grants, various studies, and enhanced classroom applications, there still exists a need for improvement in the delivery of accounting concepts. We feel the Gift Card Project addresses both the tenets of the AECC and the recently issued Pathway Commission Report. We have designed this project for the introductory accounting course often referred to as Principles I or Introductory Financial Accounting in hopes that it will enhance learning outcomes and reinforce key concepts, from inventory management to planning and budgeting.

In our design of the Gift Card Project, we recognize the learning differences of the "millennial generation." One of the authors has directly experienced this different learning approach with his own millennial generation children. One day, when he walked into his high school-aged daughter's room, he noted that she had the television on, was listening to her CD player via headphones while studying math, and was about to make a telephone call. Yet even with all of these concurrent and apparently competing activities, she graduated with honors from a rigorous high school program and, in 2009, passed the Bar exam while studying via podcasts on her iPod.

Clearly, teaching millennial students is different from teaching baby boomers; introductory accounting courses must embrace this reality. As Milliron (2008) notes, millennial students require more visual, relevant, and current examples to assist them in the learning process. The nature of their inquisitiveness is not as exploratory as earlier generations. To them the black box has been created; it provides connectivity to the world to answer very targeted questions. Futurists note that millennial students are not in awe of traditional hierarchies, which they consider the "falling of priesthoods." They do not value traditions, but need to feel engaged. In 1980, the Big Eight companies did not have to recruit; they were able to select candidates from a large pool. Today, they are forced to aggressively market and recruit, including providing signing bonuses and other perks, such as sending new hires to Disney World.

A recent study of student textbook use by Phillips and Phillips (2007) found that fewer than 30% of students read the introductory accounting textbook prior to class, and even fewer focus on the chapter's learning objectives. They noted that students today seem to have an inherent distrust of textbooks. When they run into walls of complexity, they have a tendency to "skim" complex materials rather than reading in-depth to allow the material to "sink" in to a deeper level of understanding. Phillips and Phillips suggest that instructors need to do more to engage students to alleviate their inherent distrust of accounting textbooks.

Prior to the early 1980s, most course designs were based on lectures, use of practice sets, homework, and exams, which were generally a combination of multiple choice and problems. As noted by the American Institute of Certified Public Accountants (AICPA) Core Competencies (1999), there was very little use of group study, outside material, or assignments that promoted the development of critical thinking skills or other competencies. One of the outcomes of the AECC report was to promote different teaching methods. This suggestion led to various studies, presentations, and recommendations for the use of additional tools to enhance the learning process. Crandall and Phillips (2002), for example, noted that supplemental materials, such as case studies, are beneficial, while Hanson and Phillips (2006) found that the use of analogies in the classroom helps students relate to the material by putting it into a context they understand.

The Gift Card Project addresses all of these findings, supplementing the course textbook with a meaningful assignment targeted to the millennial generation. Gift cards are widely used; these students probably began using them in middle school and will likely have a Starbucks or Target or Wal-Mart card in their wallet or purse at the time of the assignment. Millennial students easily relate to the gift card and see its relevance to their daily lives. Their frame of reference for a gift card assignment will be one of familiarity, unlike a manufacturing case study, in which students may struggle with an unfamiliar process. As noted by Hanson and Phillips (2006), familiarity removes one obstacle to the reception of the concepts the course seeks to impart.

GIFT CARD PROJECT DESCRIPTION

The Gift Card Project is a dual-structured, flexible assignment that can be used either as an individual or a group exercise. At one level, it seeks to obtain deterministic outcomes regarding the accounting treatment and an assessment of impact on the accounting process. On another level, it is open-ended, as it teaches critical thinking regarding the impact of management decisions.

The project also supports the AICPA Core Competencies, which were established to assist academics in curriculum development and instruction. The competencies consist of three categories: Functional (traditional skills, e.g. translation of economic events, financial statement preparation, and analysis); Personal; and Broad Business (the professional skills needed to excel in a business career, from communication to understanding global business issues and their relevance). Ammons and Mills (2005) note that the functional competencies allow students to obtain technical proficiency in the subject matter. The other two categories, personal and broad business competencies, focus on the areas the AECC sought to enhance: student development of leadership, critical thinking, reasoning, and awareness of the business environment.

The Gift Card Project is predicated on the questions in Table 2, which maps them to the relevant learning objectives for introductory accounting and to the AICPA Core Competencies. We have provided model solutions for these questions in Appendix 1. The questions in Table 2 seek to provide a comprehensive line of inquiry, requiring the student or student group to pursue

TABLE 2

Gift Card Project Questions Related to Learning Objectives and AICPA Core Competencies

Gift Card Project Question	Relevant Learning Objective	AICPA Core Competencies
Describe the current market for gift cards and provide statistical data, e.g., how large is the market? Include a brief history of gift redemption programs, from gift certificates to the magnetic or smart cards currently used.	Develop analytical and problem solving skills	Broad business perspectives Personal
How does the retail industry account for gift cards prior to their sale to a customer?	Transaction analysis Understanding key accounting concepts and principles Learn the accounting cycle	Functional
If third parties, such as CVS Drug Stores or Target, sell gift cards for other retailers, such as Best Buy or Starbucks, how is this transaction treated?	Transaction analysis Understanding key accounting concepts and principles Learn the accounting cycle	Functional
How are gift cards accounted for when they are sold?	Transaction analysis Understanding key accounting concepts and principles Learn the accounting cycle	Functional
Are gift cards an asset or a liability prior to sale? How about after a sale?	Transaction analysis Understanding key accounting concepts and principles Learn the accounting cycle Prepare financial statements	Functional

(continued)

TABLE 2 (continued)

Gift Card Project Question	Relevant Learning Objective	AICPA Core Competencies
How does the sale of gift cards affect Cost of Goods Sold?	Transaction analysis Understanding key accounting concepts and principles Learn the accounting cycle Prepare financial statements	Functional
How does the sale and redemption of gift cards impact the profit planning process?	Transaction analysis Understanding key accounting concepts and principles Learn the accounting cycle Develop analytical and problem solving skills	Functional Broad business perspective Personal
How do gift cards, beginning with the sale and ending with the redemption process, impact the accounting cycle?	Transaction analysis Understanding key accounting concepts and principles Learn the accounting cycle Prepare financial statements	Functional
What is the impact to cash flow for sold, unredeemed gift cards versus redeemed gift cards?	Transaction analysis Understanding key accounting concepts and principles Learn the accounting cycle Prepare financial statements	Functional
As a CFO, how would gift cards change the way you do business in terms of planning, inventory management, staffing, and any other key business activity?	Develop analytic and problem solving skills	Broad business perspective Personal

information, analyze, critically evaluate, and assess a full range of business issues. Students must consider the accounting treatment, process, and business management, and the impact of the sale of a gift card. The instructor can elect to add other elements, such as requiring students to determine if there are any ethical or legal issues relevant to the use of gift cards. This further enhances the student's understanding of a business practice's broad impact and its relevance to their other required courses, from marketing to economics to statistics to accounting.

We have used the Gift Card Project as an in-class exercise, as a group project, and as an individual project. We recommend that in a full semester or quarter course, the group project format be deployed. This allows students to gain the experience of working in a team, mirroring the organizational environment they will join. Working as a team allows everyone to contribute; those who are better at understanding the accounting cycle may have more to offer in certain areas, while those more adept at strategy or management can still contribute accordingly. This results in a more comprehensive analysis and response. One additional benefit of a group assignment is the achievement of an additional AICPA Core Competency; for example, the group leader may acquire a personal skill competency in effective project management.

If the course is a mini-semester or part of an executive master's program, we still feel that the in-class exercise is appropriate, but we encourage the students to form groups to address the key questions. The instructor can facilitate the discussion, using the model responses as a guide.

In all cases, we recommend that the results of the assignment be presented in the classroom, allowing for development of the students' communications skills. We recommend that each student or team submit the solution as a PowerPoint presentation, as if presenting it to his or her organization's CFO. This allows the students to view the assignment as an experiential learning opportunity having current business relevance. They need to conduct their preparation in the manner a business professional would. Classroom presentation also provides an opportunity for the class to observe and contrast the various points and insights that go into management decision-making, such as inventory planning or investment of the cash infusion from the sale of gift cards. We also found it very interesting to see the level of creativity occurring from the constructive dialog regarding a contemporary product. The students have all used the product, but they may not have realized its complexity and relevance to their career path.

We have provided two appendices to assist instructors in using the Gift Card Project to meet their respective learning goals, teaching framework, and degree programs. Appendix 1 covers model responses for the gift card questions; Appendix 2 provides a list of resources on gift cards.

IMPLICATIONS OF THE GIFT CARD PROJECT

The Gift Card Project provides an array of benefits to the student and to the instructor. Overall, the assignment embodies a popular contemporary business practice that should remain relevant and dynamic far into the future. Hanson and Phillips (2006) noted that when students can readily relate to something and link it to the core concepts of the course, the learning experience is greatly enhanced.

The global nature of the gift card as a business practice allows students to gain research experience as they explore the marketplace, offering them an appreciation of business management. This is the first step toward understanding the value of accounting as a communications tool and support mechanism for management decisions.

Specifically, the gift card assignment provides the opportunity to develop analytical skills, presentation skills (if the instructor elects to have the project shared in class), critical thinking skills (as students determine how gift cards impact business processes and decisions), and, finally, insight into the accounting process for a common business practice.

The Gift Card Project offers a robust opportunity to support more than just the introductory financial accounting course. As a demonstration of the dynamic nature of the Gift Card Project, we note that recently a second-tier market has been established for gift cards. In other words, a gift card holder can sell the unused value at a discount on various online sites such as Plastic Jungle (www.plasticjungle.com), Gift Card Rescue (www.giftcardrescue.com), or Gift Card Buyback (www.giftcardbuyback.com). A potential buyer can barter for the purchase of the unused value of a card on these sites. This new market introduces a whole new dimension of analysis that can be incorporated into the assignment. For example, the sale of the gift card at a discount is similar to the sale of an account receivable to a factoring company at a discount.

Additional dynamics related to the gift card will also involve progressive regulatory oversight, and these regulatory constructs will alter the dynamics of the Gift Card Project. The Credit CARD Act of 2009, effective in 2010, has already incorporated regulations impacting key aspects of gift cards, including limiting the fees for inactive accounts for a period of 12 months and extending the life of a gift card to five years. New regulatory guidelines by the Federal Reserve will have an effect on gift cards, while each state can issue additional regulations to govern the use of gift cards that meet or exceed those of the Credit CARD Act of 2009. These ongoing regulatory dynamics add to the relevance and opportunity for contemporary customization of the Gift Card Project to reflect changing circumstances. The instructor should review current movements at the beginning of the semester and adjust the assignment accordingly. This will ensure the ongoing relevance of the assignment as well as engage the students in contemporary trends.

Our emphasis in this paper is on the value of the Gift Card Project to an introductory financial accounting course. However, aspects of the Gift Card Project can assist with the learning process in other courses at the undergraduate and graduate level. In Table 3, we recommend

TABLE 3

Use of the Gift Card Project in Accounting Courses

Accounting Courses	Relevance to the Course
Introductory Financial Accouanting	Enables students to grasp new concepts, such as unearned revenue and matching principle.
Introductory Managerial Accounting	Enables students to grasp new concepts, such as budgeting and planning and control.
Auditing, Internal Auditing or Accouning Information Systems	Enables students to grasp new concepts, such as internal controls and risk.

additional accounting courses where the Gift Card Project could be of use. In each case, the Gift Card Project provides a popular business practice that will help illustrate key course concepts at an early stage in the matriculation of undergraduate or graduate students, while accommodating various teaching formats: It can be used as a group assignment, individual assignment, or in-class exercise.

The Gift Card Project also provides an opportunity for students to go beyond the technical accounting treatment. It introduces a key component of two categories of the AICPA Core Competencies: Personal and Broad Business Perspectives. Specifically, the Gift Card Project facilitates discussions involving general management, staffing, marketing, finance, and strategy. Table 4 details these additional opportunities for instruction and discussion.

As noted above, the Gift Card Project will provide the instructor with a comprehensive assignment that addresses both the AICPA Core Competencies (1999) and the AECC's goal of enhancing the student's initial experience (1990). The labor-intensive practice sets of the past were useful for providing a rigorous experience in preparation and transactions, but left little time for reflection on the value of accounting. The Gift Card Project effectively supports the achievement of the common learning objectives for the introductory course in financial accounting in a manner that is consistent with the learning style of the millennial generation.

TABLE 4

Additional Opportunities for Instruction With Use of the Gift Card Project

Business Discipline	Relevance to Gift Card Project
Management	The project requires the student to determine how gift cards impact management decisions, such as staffing and overall resource deployment
Marketing	The project requires the student to gain an understanding of the branding value, the marketing positioning, and the strategy for use of a gift card as part of an overall analysis.
Finance	The retention of cash and the reduction of inventory presents students with an opportunity to assess the cost of capital, the option to invest excess cash flows generated by the sale of gift cards, and the lag between inventory acquisition
Strategy	The project provides an opportunity for students to observe the strategy involved in the decision to use gift cards, their distribution method, and how decisions from inventory management to promotional programs are impacted.

STUDENT PERSPECTIVE

We extracted comments from student evaluations for a two-year period at Drexel University. The Drexel Student Evaluations allow students to identify course materials or projects and specifically rank their value, as well as to provide "comments" in the open section of the online course evaluation form. The quantitative scores were extracted from the comments on course material "other than textbook" in the introductory accounting and managerial accounting courses sampled, for which the Gift Card Project was the only "other than textbook" course material used.

Overall the comments, as noted in Table 5, indicate that the Gift Card Project was supportive by a quantitative valuation of at least 3.1 to 3.6 out of 4. When the Gift Card Project was initially introduced to the managerial students, they felt that their financial accounting course had not emphasized the adjusting journal entry or deferred revenue and revenue recognition principles sufficiently for them to understand the project and to focus on its management accounting aspect, i.e. on inventory planning and cash management. However, students who were taught financial accounting and then managerial accounting by the authors of this paper did not indicate that they had this issue with the Gift Card Project; rather they noted that the project helped to reinforce financial accounting concepts within a managerial accounting class. Thus the student perspective from these evaluations appears to support the instructional value of the Gift Card Project, as well as to offer advice about using the project in a coordinated manner, i.e. in both financial accounting and managerial accounting introductory courses.

CONCLUSION

The Gift Card Project is a robust and relevant tool to assist in achieving the learning objectives for the introductory course in financial accounting. The Gift Card Project seeks to fulfill the millennial generation's need to have relevant examples as part of their learning process, while at the same time addressing the AICPA Core Competencies, from the functional to the personal to the broad business perspective. We feel that the Gift Card Project supports the findings of recent research that students learn better with examples that apply directly to course concepts, and that it meets the user-oriented recommendations of the AECC.

The Gift Card Project can be used in other courses than introductory financial accounting, and it can be delivered in various teaching formats, from an in-class exercise to a group project to an individual assignment. The Gift Card Project encourages students to discover the value and nature of financial accounting. It helps to promote critical thinking, and it introduces other concepts beyond accounting, such as strategy, finance, and management principles.

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TABLE 5

Selected Comments on the Gift Card Project from Student Evaluations at Drexel University

Term	Course	Supporting Comments	Representative Sample Comments
Fall 2010	MBA Level Financial Accounting	N = 62 Overall average of all student evaluations = 3.52 out of 4.0 "Other than textbook" = 3.60 out of 4.0	"I use gift cards all of the time, so it helped me understand the concept of revenue recognition."
Winter 2011	Managerial Accounting	N = 108 Overall average of all student evaluations = 3.44 out of 4.0 "Other than textbook" = 3.10 out of 4.0	"I feel the project is good, but better for financial accounting since the inventory management and staffing issues were harder to understand without knowing the financial accounting aspect, which we did not really discuss ... in the class I took."
Fall 2011	Financial Accounting	N = 87 Overall average of all student evaluations = 3.48 out of 4.0 "Other than textbook" = 3.51 out of 4.0	"The use of the gift card as a project was good, but I still disagree with GAAP that Macy's cannot recognize revenue until the card is redeemed - but this helps me to see accounting is more complex and challenging."
Winter 2012	Managerial Accounting and Cost Accounting	N = 117 Overall average of all student evaluations = 3.67 out of 4.0 "Other than textbook" = 3.45 out of 4.0	"We debated in class about the revenue recognition process and the challenges to predict inventory when you do not know when the consumer will redeem the card, and that was very interesting and helped me learn actually more about financial accounting in the managerial class that I missed initially."

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APPENDIX 1
Model Responses

The following model responses are written for instructors and are useful for guiding the evaluation of the assignments. The responses will provide ideas for classroom discussion and offer possibilities for customizing the assignment to meet the students' needs.

The questions that relate to the accounting treatment should remain stable over time. However, the questions related to strategy and management decisions could change due to the adoption of new accounting standards, such as IFRS, new regulations, or new technology.

Gift Card Project Assignment Question	Model Response
Describe the current market for gift cards and provide statistical data such as market size. Include a brief history of gift redemption programs, beginning with gift certificates and including the magnetic or smart cards currently in use.	The response should give the history of gift cards from their origin in the late 1990s, and include the fact that the current market transaction value is in excess of $100 billion. Gift cards are now offered in many venues, such as grocery stores, clothing stores, movie theaters, hardware stores, and restaurants, as well as through online vendors like iTunes. Initially, gift card sale and use was not regulated by states. This has changed dramatically; the Federal Reserve is acknowledging their existence as a monetary asset and is developing guidellines to govern their issuance and use.
How does the retail industry account for gift cards prior to their sale to a customer?	We recommend that the students provide a journal entry to reflect the steps as follows: Initial sale of a card to a customer Debit Cash and Credit Unearned Revenue
If a third party (e.g., CVS Drug Store or Target) sells gift cards for another retailer (e.g., Best Buy or Starbucks) how is this transaction treated?	The instructor should allow for a degree of latitude due to the variety of third party agreements between the card distributor (e.g., CVS) and the card issuer (e.g., Best Buy). Common treatment is as follows: Initial sale of card by third party Third party Debits Cash and Credits Payable and Commission Revenue Card issuer Debits Cash and Credits Unearned Revenue For the card issue, the subsequent sale of goods or services is treated as above.

(continued)

Gift Card Project Assignment Question	Model Response
How are gift cards accounted for?	Sale of merchandise to a customer using a gift card: Debit Unearned Revenue and Credit Revenue Debit Cost of Goods Sold and Credit Intentory If sold by a service company, part two of the sales entry is not required.
Are gift cards an asset or a liability prior to sale? After a sale?	The students should refer to the above entries; upon the sale both an asset (cash) and a liability (unearned revenue) are created. Upon the sale, an asset is reduced while a liability is reduces, revenue is increased, and expenses are recognized. The instructor should seek to emphasize principles, such as the matching principle and revenue recognition, to further enhance the underlying financial accounting theory.
How does the sale of gift cards affect Cost of Goods Sold?	Assuming the entity is a merchandiser, the initial sale (as per the entries above) does not impact Cost of Goods Sold. The Cost of Goods Sold will not be affected until a subsequent sale of goods via the gift card.
How does the sale and redemption of gift cards impact the profit planning process?	The sale of gift cards generates "working capital" for a period of time. The manager must be able to predict the time period when gift card conversion into goods or services will occur. This turnover period is the window when cash received can be invested or used to support working capital requirements, as an alternative to financing similar trade payables. This question can be used as a separate question on an exam, and subsequently would not be included in the assignment, as an alternative to reduce the scope of the assignment.

(continued)

Gift Card Project Assignment Question	Model Response
How do gift cards, from sale to redemption process impact the accounting cycle?	This is an opportunity for the students to demonstrate their knowledge of the accounting cycle, from the translation of an economic event into generation of financial statements. This question requires the students to demonstrate their overall understanding of the accounting cycle. They should indicate how the sale and redemption of a gift card impacts journal entries, closing entries, and adjusting entries. Also, students should know how it is reflected on the financial statements.
What is the impact to cash flow for sold gift cards versus redeemed gift cards?	The students should note that while a liability is created, cash is received that initially does not have any expense related to its generation, beyond the unrecorded processing cost (e.g., sales and accounting team). For example, Macy's sells more than $1 billion in gift cards per year. This is a major source of short-term cash flow, which can be used to invest in short-term securities or to serve as a financing mechanism for working capital.
As a CFO, how would gift cards change the way you do business in terms of planning, inventory management, staffing, and any other key business activity?	There are no concrete answers to this question. It is an opportunity for critical thinking and for integrating strategy, management, HR, financing, and other topics, such as ethics and regulation. The goal is for the students to put on the hat of a CFO and think beyond the numbers. How do gift cards support the financial and strategic goals of an organization?

APPENDIX 2
List Of Gift Card Resources

Information Links

Credit CARD Act of 2009
http://www.gpo.gov/fdsys/pkg/PLAW-111publ24/html/PLAW-111publ24.htm

Federal Reserve Research Center on Statistics
http://www.federalreserve.gov/econresdata/default.htm

Sample Articles on Gift Cards

Background Article on Consumer Behavior and Gift Cards
http://www.marketingpower.com/AboutAMA/Pages/AMA%20Publications/AMA%20Journals/Journal%20of%20Marketing%20Research/TOCs/SUM_2010.5/procrastination_of_enjoyable_experiences.aspx

Description of Gift Cards Market
http://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.21.2.227

Accounting Treatment Articles
http://www.journalofaccountancy.com/issues/2007/nov/accountingforgiftcards.htm

http://www.nysscpa.org/cpajournal/2007/1107/essentials/p28.htm

Cash Flow Potential of Gift Cards
http://www.mossadams.com/mossadams/media/Documents/Publications/MA%20Now/MANow_MDG_Jul2012.pdf