Initially, when we provided the gift certificates to the customers, they are unearned revenues and therefore, should be treated as a liability. So, we add a $3,000 entry for each customer into the Unearned Revenues account (which is a liability).

However, when the customer redeems the code, we can deduce that they have used 38% of the unearned revenues, meaning that the gross profit would be 0.38 x $7,000 = $2,660. Thus, we add this to the Gift Cards Revenue (as an asset) and decrease the same from the Unearned Revenues (leaving $7,000 - $2,660 = $4,340).