

Difference Between Transaction and Exchange

www.differencebetween.com

Key Difference - Transaction vs Exchange

Transaction and exchange are two terminologies that are often used interchangeably due to the similarities between them. Furthermore, both these terms are used in various contexts and subject matter where their meanings are different depending on the circumstances in which they are used. The key difference between transaction and exchange is that **a transaction is a contract or agreement between two parties where a good or service is exchanged in return for a monetary value** whereas an **exchange is a swap of a good or a service between two parties**. Transactions and exchanges happen in both personal and commercial contexts.

What is a Transaction?

A transaction is referred to as a contract or agreement between two parties where a good or service is exchanged in return for a monetary value. Therefore, for a transaction to occur, one party should have a good or a service that the other party wants and the second party should be in a position to offer the monetary value for the good or service offered by the first party.

E.g. Person A is looking for prospective buyers for his car. Person B is willing to purchase the car from person A; thus both enter into an agreement to execute the transaction.

Transaction is a single contract where the buyer and the seller can be two parties who have not engaged in business with each other previously and are not bound to continue to do business together in the future by initiating a transaction at present. However, many businesses use relationship marketing at present; this is a development from transactional marketing. Relationship marketing is aimed at continuing transactions in continuous volumes with customers to keep encouraging them to purchase the company's products.

The term transaction is widely used in accounting as well where it is described as an event that results in a change in an asset, liability, equity, income or expense account.



Figure 01: Receiving goods or services in return for money is a transaction

What is an Exchange?

An exchange is defined as a swap of a good or a service between two parties. It can be simply explained as receiving something in return for something offered. The [barter system](#) is the most popular type of exchange that has been used to swap goods and services.

Barter System

This is the system by which two parties enter into an agreement to swap goods or services of equal perceived value without a medium of exchange. Evidence of barter system is discovered around the world, prior to the inception of money is currently used as a medium of exchange.

E.g. A farmer who grows wheat can exchange a certain number of sacks of wheat for a given number of kilograms of meat.

The use of barter system is almost insignificant in the world today and its main drawback lies in the inability to measure the exact value of goods and services. For instance, in the above example, how many sacks of wheat is equal to how many kilograms of meat may be subjected to a discrepancy.

Exchange is also an important terminology for depicting the value of a component relative to another. In foreign currency, the [exchange rate](#) is used to demonstrate the value of one currency relative to the value of another.

E.g. USD/INR 64.25 (1 US Dollar is equal to 64.25 Indian rupees)



Currency	Buying Rate	Selling Rate
USD	29.75	30.55
GBP	47.85	49.27
EUR	42.21	43.18
CNY	4.28	4.88
JPY	37.45	38.94
MYR	9.21	10.28
AUD	31.68	32.85
HKD	3.77	4.00
KOR	0.022	0.033
PHP	0.47	0.76

Figure 02: Exchange rates

What are the Similarities between Transaction and Exchange?

- Transactions and exchanges are two of the most important events in trade.
- In both transaction and exchange, there should be two parties willing to enter into an agreement

What is the difference between Transaction and Exchange?

Transaction vs Exchange	
Transaction is referred to as a contract or agreement between two parties where a good or service is exchanged in return for a monetary value.	Exchange is defined as a swap of a good or a service between two parties.
Money as a Medium of Exchange	
In a transaction, money is used as a medium of exchange.	An exchange does not use money as a medium of exchange.
Context of Usage	
The term transaction is mainly used in the context of transferring the ownership of a good or service for money and in accountancy.	Barter system and exchange rate widely use the term exchange in their respective contexts.

Summary- Transaction vs Exchange

The difference between transaction and exchange primarily depends on the way they are used contextually. It also depends on monetary involvement since transactions have a monetary value whereas exchanges do not. Both transaction and exchange are related to trade and millions of transactions and exchanges occur around the world on a daily basis as a result of complex commercial and financial markets.

References:

1. "How has this term impacted your life?" BusinessDictionary.com. N.p., n.d. Web. [Available here](#). 13 June 2017.
2. "Barter System History: The Past and Present." Mint. N.p., 15 Dec. 2014. Web. [Available here](#). 13 June 2017.
3. Amadeo, Kimberly. "What Are Exchange Rates?" The Balance. N.p., n.d. Web. [Available here](#). 13 June 2017.

Image Courtesy:

1. "Online Sales Ecommerce E-commerce Selling Online" (CC0) via [Max Pixel](#)
2. "South East Asia Exchange Rates (6031878489)" By Nick Hubbard - South East Asia Exchange Rates Uploaded by Albert Herring ([CC BY 2.0](#)) via [Commons Wikimedia](#)

How to Cite this Article?

APA: Difference Between Transaction and Exchange. (2017, June 05). Retrieved (date), from <http://www.differencebetween.com/difference-between-transaction-and-vs-exchange/>

MLA: "Difference Between Transaction and Exchange." Difference Between.Com. 05 June 2017. Web.

Chicago: "Difference Between Transaction and Exchange." Difference Between.Com. <http://www.differencebetween.com/difference-between-transaction-and-vs-exchange/> (accessed [date]).



Copyright © 2010-2017 Difference Between. All rights reserved.