**Features of Business Transaction:**

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| Transaction is an event. All events are not accounting transactions. An event must have the following features to become a transaction:  **1. There must be two parties:**  No transaction is possible without two parties. Just as it takes two hands to clap, so it takes two parties for a transaction to take place. There cannot be a giver unless there is a receiver. Suppose, X borrows $10,000 from a bank. This is a transaction, since there are two parties here - X and bank.  **2. The event must be measurable in terms of money:**  An event will not be regarded as a transaction, unless it is capable of being measured in terms of money.  **3. The event must result in transfer of property or service:**  Suppose, we buy a motor-car from **S** for $40000. This results in transfer of property from **S** to us, so it is a transaction. Again suppose, we pay salary to our employee $2000. This results in transfer of service - the employee renders service and we receive it. So it is a transaction.  **4. The event must change the financial position of the business:**  Transaction takes place only when there is a change in the financial position of the business. The change in financial position may be of two kinds:  **1. Quantitative change:**  This changes the total value of assets and liabilities of a business concern. Suppose, machinery of $50,000 is destroyed. This reduces the total value of the assets of the business. As a result, the financial position changes and hence it is a transaction.  **2. Qualitative change:**  This causes increase or decrease in the different elements of assets or liabilities, but the value of total assets and total liabilities remains unchanged. Suppose, we buy machinery worth $50,000. This results in exchange of properties - cash $50,000 goes out of our possession and at the same time machinery of an equal value comes into our possession. This does not change the total value of our assets, but this causes a qualitative change in our financial position, hence it is a transaction. |