Understanding Digital Currency

Financial Literacy · Practice Test · 20 Questions

1. What is the name of the first decentralized cryptocurrency ever created?

A) Bitcoin
B) Ethereum
C) Litecoin
D) Dogecoin

2. What is the digital record-keeping technology that tracks cryptocurrency transactions called?

A) The Internet
B) Blockchain
C) A bank ledger
D) A cloud database

3. Who is credited with creating Bitcoin under the pseudonym Satoshi Nakamoto?

A) Elon Musk
B) Bill Gates
C) An unknown person or group
D) Vitalik Buterin

4. What do we call the process of using powerful computers to solve complex math problems to verify transactions on a network?

A) Mining
B) Printing
C) Staking
D) Downloading

5. Unlike physical money like coins and notes, where is cryptocurrency stored?

A) In a physical piggy bank
B) In a digital wallet
C) In a metal safe
D) Under a mattress

6. What is the main difference between traditional money and cryptocurrency?

A) Cryptocurrency is always made of gold
B) Cryptocurrency is managed by a central bank
C) Cryptocurrency does not need a central authority like a bank
D) Traditional money is always digital

7. What is the term for a single unit of Bitcoin?

A) A cent
B) A satoshi
C) A dollar
D) A byte

8. What prevents people from spending the same digital money twice in a cryptocurrency network?

A) A central government agency
B) The blockchain ledger
C) A security guard
D) A paper receipt

9. Which of these is a common feature of most cryptocurrencies?

A) They are physically printed
B) They are decentralized
C) They are controlled by a king
D) They are only used in Australia

10. What happens to a cryptocurrency transaction once it is added to the blockchain?

A) It can be easily deleted
B) It becomes permanent and irreversible
C) It is sent to a bank for approval
D) It disappears after 24 hours

11. What is a 'public key' used for in a cryptocurrency transaction?

A) To unlock your house
B) To receive funds from others
C) To change the price of the coin
D) To delete your history

12. What do we call the market price of a cryptocurrency that changes based on supply and demand?

A) Fixed rate
B) Interest rate
C) Exchange rate
D) Valuation

13. What is a 'private key' in cryptocurrency?

A) A code that acts like a password to access your digital funds
B) A physical key to a storage unit
C) A public message sent to everyone
D) A type of digital coin

14. Which entity typically controls the issuance of standard government currency?

A) The public
B) A central bank or government
C) Private corporations
D) The blockchain

15. What is the purpose of a digital wallet in the world of cryptocurrency?

A) To shop in a physical grocery store
B) To store the keys needed to access and manage digital currency
C) To convert gold into digital coins
D) To print paper versions of the coins

16. What does it mean for a cryptocurrency to be 'decentralized'?

A) It is controlled by one person
B) It is controlled by many computers globally rather than a single authority
C) It is only used in one city
D) It has no value at all

17. What is the name of the 'smart contract' platform that is often used for creating decentralized applications?

A) Ethereum
B) Amazon
C) Google
D) Facebook

18. Can cryptocurrency be sent to someone in a different country instantly?

A) No, it takes a month
B) Yes, over the internet
C) Only if the government allows it
D) Only via the postal service

19. What is a 'cold wallet' in the context of cryptocurrency storage?

A) A wallet kept in a freezer
B) A wallet stored on a device disconnected from the internet
C) A wallet made of blue plastic
D) A wallet held by a bank teller

20. Which of these is NOT a function of cryptocurrency?

A) A medium of exchange
B) A store of value
C) A physical coin for coin-operated rides
D) A digital asset