Understanding Cryptocurrency Fundamentals

Financial Literacy · Answer Key · 20 Questions

1. Which entity is credited with the creation of Bitcoin in a 2008 white paper?

A) Vitalik Buterin
B) Satoshi Nakamoto
C) Charlie Lee
D) Nick Szabo

2. What is the primary function of a blockchain in the context of cryptocurrency?

A) To regulate interest rates
B) To act as a distributed ledger
C) To print physical currency
D) To verify user identity cards

3. What is the term used to describe the process of using computing power to validate transactions and secure a network?

A) Staking
B) Minting
C) Mining
D) Hashing

4. Which mechanism is used by Ethereum to achieve consensus, transitioning away from Proof of Work?

A) Proof of Stake
B) Proof of Authority
C) Proof of Burn
D) Proof of Capacity

5. What is the 'halving' event in the Bitcoin network?

A) The reduction of the total supply of coins
B) The splitting of the coin into smaller units
C) The reduction of the block reward for miners
D) The process of banning half the nodes

6. Which feature makes cryptocurrencies like Bitcoin 'decentralized'?

A) They are controlled by the central bank
B) They do not rely on a central authority or intermediary
C) They are only traded on government websites
D) They are backed by physical gold reserves

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7. What does the term 'private key' refer to in cryptocurrency?

A) A password to access a public website
B) A cryptographic code used to authorize transactions
C) The name of the user on the blockchain
D) A document verifying the user's home address

8. What is a 'stablecoin' designed to do?

A) Provide unlimited growth potential
B) Minimize price volatility by pegging to an asset
C) Replace all fiat currencies immediately
D) Only be used for charitable donations

9. Which programming language is most commonly associated with Ethereum smart contracts?

A) Solidity
B) HTML
C) Python
D) SQL

10. What is the purpose of a 'cold wallet' in cryptocurrency storage?

A) To keep the device cool during mining
B) To store private keys offline for security
C) To freeze accounts during a hack
D) To track daily market fluctuations

11. What is a 'smart contract' in a blockchain environment?

A) A legal document signed by a notary
B) A self-executing contract with terms written into code
C) A contract between a bank and a customer
D) An agreement that requires human intervention to process

12. What is the main difference between Bitcoin and fiat currency?

A) Fiat is digital and Bitcoin is physical
B) Bitcoin has a limited supply defined by code
C) Bitcoin is issued by the government
D) Fiat currency is always backed by cryptocurrency

13. What is a 'fork' in blockchain technology?

A) A tool used to mine Bitcoin
B) A permanent divergence in the blockchain
C) The physical hardware used to store coins
D) A type of cyber attack on exchanges

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14. Which term describes the total market value of a cryptocurrency?

A) Circulating supply
B) Market capitalization
C) Transaction volume
D) Dividend yield

15. What is the 'Genesis Block'?

A) The most recent block added
B) The first block of a blockchain
C) A block that contains no transactions
D) A block that was rejected by the network

16. What role do 'nodes' play in a blockchain network?

A) They create new fiat currency
B) They maintain a copy of the ledger and validate transactions
C) They act as the central government for the network
D) They charge fees for every user visit

17. What does 'DeFi' stand for in the crypto industry?

A) Defined Finance
B) Decentralized Finance
C) Digital Federal Institution
D) Data Encryption Financial Index

18. How are transactions usually recorded on a public blockchain?

A) In a private database held by a bank
B) In an immutable, transparent, and public ledger
C) In a physical book kept by an auditor
D) In a spreadsheet that can be edited by admins

19. What is the primary risk associated with the volatility of cryptocurrency?

A) The risk of the internet shutting down
B) The value of assets can fluctuate significantly in a short time
C) The requirement to pay taxes in gold
D) The inability to sell the assets on an exchange

20. Which cryptographic technique is used to secure blockchain transactions?

A) Hashing
B) Printing
C) Stamping
D) Copy-pasting

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