

Understanding Cryptocurrency Fundamentals

Financial Literacy · Practice Test · 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

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

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