Cryptocurrency Essentials

Cryptocurrency · Practice Test · 25 Questions

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

A) Vitalik Buterin
B) Hal Finney
C) The person or group remains anonymous
D) Charlie Lee

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

A) To act as a centralized server
B) To record and verify transactions across a network
C) To issue government-backed currency
D) To provide physical security for wallets

3. What is the process called when new coins are added to a blockchain through computational work?

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

4. Which cryptocurrency was the first to implement 'smart contracts' on its blockchain?

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

5. What does the term 'DeFi' stand for?

A) Decentralized Finance
B) Digital Financial Integration
C) Defined Fiscal Index
D) Direct Electronic Funding

6. What is a 'cold wallet' in cryptocurrency storage?

A) A wallet stored on a desktop computer
B) An offline device used to store private keys
C) A wallet with very low transaction fees
D) A shared multi-signature account

7. What is the purpose of a 'private key' in a cryptocurrency wallet?

A) To identify the user's IP address
B) To authorize transactions and prove ownership
C) To publicly display the balance
D) To recover forgotten passwords

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

A) Increase in value rapidly
B) Maintain a peg to a stable asset like a fiat currency
C) Provide anonymity for all users
D) Facilitate illegal transactions

9. What is the maximum supply of Bitcoin ever to exist?

A) 10 million
B) 21 million
C) 50 million
D) 100 million

10. What event causes the reward for mining Bitcoin to be cut in half approximately every four years?

A) The Halving
B) The Forking
C) The Merge
D) The Shutdown

11. Which mechanism does the Ethereum network use to validate transactions as of its 2022 'Merge'?

A) Proof of Work
B) Proof of Stake
C) Proof of History
D) Proof of Authority

12. What is a 'hard fork' in blockchain technology?

A) A total network collapse
B) A permanent divergence from the previous version of the blockchain
C) A minor software update
D) A security breach

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13. What is the term for an individual or entity that holds a large amount of a specific cryptocurrency?

A) Shark
B) Whale
C) Dolphin
D) Bear

14. What is 'gas' in the context of the Ethereum network?

A) A volatile cryptocurrency
B) The fee paid to execute transactions or smart contracts
C) A secondary layer protocol
D) The cooling system for mining rigs

15. Which of these is considered a 'centralized' entity in the cryptocurrency space?

A) A decentralized exchange
B) A self-custody wallet
C) A cryptocurrency exchange like Coinbase
D) A peer-to-peer network

16. What is an 'NFT'?

A) Non-Fungible Token
B) New Financial Transaction
C) Network Foundation Technology
D) Non-Formal Transfer

17. What does the term 'HODL' originally derive from?

A) A misspelling of 'HOLD' in a forum post
B) An acronym for 'Hold On Dear Life'
C) A technical term for coin storage
D) A secret trading strategy

18. What is the 'Genesis Block'?

A) The most recent block in a chain
B) The first block of a blockchain
C) A block with no transactions
D) A failed block attempt

19. Which country famously adopted Bitcoin as legal tender in 2021?

A) Brazil
B) El Salvador
C) Vietnam
D) Nigeria

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20. What is 'Proof of Work' primarily used for?

A) Securing the network through computational power
B) Voting on governance proposals
C) Distributing dividends to holders
D) Tracking retail store inventory

21. What is a 'seed phrase'?

A) A marketing phrase for new coins
B) A series of words used to recover a crypto wallet
C) A password for an exchange account
D) A code for mining software

22. What is the main difference between a centralized and decentralized exchange?

A) Centralized exchanges are always free
B) Decentralized exchanges hold user funds
C) Decentralized exchanges allow peer-to-peer trading without intermediaries
D) Centralized exchanges use more electricity

23. What happens if you lose your private key or seed phrase?

A) You can reset it via email
B) The exchange will recover it for you
C) Your funds are likely permanently inaccessible
D) The blockchain administrator will return the coins

24. What is an 'Altcoin'?

A) Any cryptocurrency other than Bitcoin
B) A scam currency
C) A stablecoin only
D) A currency used for gaming only

25. What does 'market capitalization' represent in cryptocurrency?

A) The total number of coins in existence
B) The current price per coin
C) The total value of a cryptocurrency calculated by price times circulating supply
D) The amount of energy used to mine the coin

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