This is individual mid-term exam.

*Question 1: The Insight on Business case, Bitcoin, provides a close look at this controversial form of digital cash.*

1. *Discuss some of the benefits of using a digital currency? (at least 4)*

lower transaction costs

the ability to make payments at any time

Faster receipt of funds than through legacy financial institutions

It promotes the arise of all kinds of new financial markets that make prosperity

The access to the financial system can be broaden

*(*[*https://www.bizjournals.com/bizjournals/how-to/growth-strategies/2017/06/7-benefits-of-using-digital-currencies.html*](https://www.bizjournals.com/bizjournals/how-to/growth-strategies/2017/06/7-benefits-of-using-digital-currencies.html)*)*

1. *Discuss some of the risks involved to the user? (at least 4)*

The security like keeping customers’ information private and unviolated, safe customer identification

The currency like Bitcoin is price-volatile which can cause loss

much of the infrastructure required to support the broader use of digital currencies is, likewise, still being developed. That is to say, there are barriers to wide adoption. The interaction among users of different digital currencies is rare or even absent for the time being.

It has some new forms of financial models that users are not familiar with, which causes that to be trapped in and lose money.

Cryptocurrency is not completely backed by a government. There may be no enough and effective regulatory intervention. Therefore users may not get protection or compensation from the government or regulations.

(<https://www.entrepreneur.com/article/302778>)

1. *What are the political and economic repercussions of a digital currency? (at least 4)(30 Points)*

Digital currency like cryptocurrency causes financial transactions to be ***decentralized*** on a massive scale. These decentralized transactions have no recourse whatsoever to the US Dollar. This changes the dynamics of international trade, foreign relations, diplomacy, and the impact of economic sanctions.

Although governments encourage innovation, business freedom, consumer choice, they must keep the market organized and prosperous by a sea of new ***regulation***.

(<https://www.wired.co.uk/article/bitcoin-demos>)

“Digital money replacing cash would also make it easier for central banks to ***lower interest rates*** far below zero per cent ... This would be an implementation of something similar to the ‘[Chicago plan](https://en.wikipedia.org/wiki/Chicago_plan)’ for ***narrow*** banks by accident. The central bank would become the ‘narrow bank’, backing deposits with government securities.”

Also, central banks are hesitating to ***issue their own digital currencies***

Digital currencies and other innovations in payment systems could ***increase the speed of domestic and cross-border transactions***, reduce transaction costs, and eventually broaden access to the financial system by poor and rural households.

(https://www.brookings.edu/blog/up-front/2018/05/21/digital-currencies-five-big-implications-for-central-banks/)

(<https://ftalphaville.ft.com/2017/06/07/2189849/guest-post-the-consequences-of-> allowing-a-cryptocurrency-takeover-or-trying-to-head-one-off/)

*Question 2: Why is it less risky to steal online? Explain some of the ways criminals deceive consumers and merchants. (20 Points)*

Potential anonymity is the main reason which makes stealing online less risky. It facilitates the criminals to steal remotely, having access to the internet without the need to be there.

Examples:

**Phishing**

Phishing scams are when cybercriminals install malicious software onto your device, after you click on a link that you received in an email or social media message, in order to trick you into sharing login credentials to your bank account, social network, work account, or cloud storage provider. They may even be able to [steal your health insurance or frequent flyer miles](http://time.com/money/3724976/bizarre-identity-theft/)!

**The Wifi Danger Zone**

The login page resembles a free service or a pay service like Boingo Wireless, and since it appears to be on the up-and-up, you join the network.

**It’s the “too good to be true” offer.**

Like an incredible offer on the latest iPhone, a new credit card offer with an unbeatable interest rate

**Insider Attacks**

Employee access to privileged information

**Identity Fraud/Theft**

Unauthorized use of another person’s personal data for illegal financial benefit

**Sniffer**

Eavesdropping program monitoring networks

*Question 3: Explain why an e-commerce site might not want to report being the target of cybercriminals.*

*(20 Points)*

E-commerce companies are hesitant to report being a victim of a cybercrime due to the fear of losing the trust of their customers. A company that reports a security breach is likely to

lose customers and sales for some time. People will be hesitant to do business with this

company for fear of poor security and the potential to have their information stolen. This result causes them larger loss of money.

(<https://www.studymode.com/essays/e-Commerce-Security-Risks-713582.html>)

(https://www.coursehero.com/file/13005836/Chapter-5-Discussion-Questions/)

*Question 4: Is price discrimination different from versioning? If so, how? Explain in detail (20 Points)*

Yes.

Price discrimination: selling products to different people and groups base on willingness to pay. Firm must be able to identify the price each individual is willing to pay, segregate customers so no one knows how much the other paid.

Versioning: creating different versions of the same product to sell to different groups.

The difference is in the actual product. Price discrimination sells the same product, different pricing. Versioning is slightly different product/features with variable pricing.

(<https://quizlet.com/153179800/mis-441-module-5-flash-cards/>)

*Question 5: Why do companies that bundle products and services have an advantage over those that don’t or can’t offer this option?) (10 Points)*

Bundling is attractive to consumers who benefit from a single, value-oriented purchase of complementary offerings. It allows the consumer to look at one single source that offers several solutions.

When effective, a product bundling strategy can significantly increase profits on individual sales over time. Selling multiple products in one solution means a greater initial return on the cost of acquiring a customer.

Bundled pricing is a strategy to help generate a large range of buyers: buyers looking for deals, buyers looking for convenience or buyers looking for advice on items that complement each other.

Bundling also had the unanticipated effect of goading some consumers into making a purchase earlier than they otherwise would have.

Bundling works as a sales strategy, but the results are nuanced. For instance, bundling did lead to the cannibalization of over half a million consoles—that is, the introduction of bundles led to a loss in sales of about 500,000 plain consoles. But the overall effect was an increase in hardware sales and revenue.

(https://som.yale.edu/blog/the-benefits-of-bundling)