| My First Bitcoin Diploma.  Financial Education for the Bitcoin Era. |
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Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Assessment Date: 25 August 2024

**Instructions:**

1. Read instructions carefully.

2. Answer all questions.

3. Manage your time wisely.

**ALL QUESTIONS CONSIST OF MULTIPLE CHOICE.**

**Put an X only in the block next to the correct answer.**

**1. What is the primary function of money in an economy?**

* a) Unit of account.
* b) Medium of exchange.
* c) Only b is correct.
* d) a) and b) are correct.

**2. Which of the following describes money as a store of value?**

* a) Money’s use in making purchases and paying debts.
* b) Money’s role for purchasing goods and services.
* c) Money’s ability to facilitate trade and commerce.
* d) Money’s ability to be saved and retain its value over time.

**3. What is meant by fiat money?**

* a) Money backed by physical assets like gold.
* b) Money issued by private companies.
* c) Money that has value because the government says it does.
* d) Money that is used only in digital form.

**4. How does inflation impact the power of money?**

* a) It increases the value of money.
* b) It has no effect on the value of money.
* c) It makes money more powerful.
* d) It decreases the purchasing power of money.

**5. Which of the following best describes the uniformity of money**

* **a)** Money must be easy to carry.
* b) All units of money must have the same value and identical appearance.
* c) Money must be widely accepted in exchange for goods and services.
* d) Money must be able to be divided into smaller units for various transactions.

**6. Which type of money has intrinsic value due to the material from which it is made?**

* a) Fiat money
* b) Commodity money
* c) Representative money
* d) Digital money

**7. Which of the following is an example of commodity money?**

* a) A credit card
* b) A R200 note
* c) A gold bar
* d) A digital wallet

**8. Which of the following is a characteristic of representative money?**

* a) It has no intrinsic value but can be exchanged for a commodity like gold.
* b)It has physical value and can be used for trade directly.
* c)It is used only in digital transactions.
* d) It represents a claim in future earnings.

**9. How did trade happen in the earliest civilization?**

* a) Cowries
* b) Barter
* c) Giving
* d) Gold

**10. What monetary standard did the powerful nations of the world end up adopting in order to have a global measure for currencies?**

* a) Gold standard
* b) Silver standard
* c) Government bonds standard
* d) Cowries standard

**11. The term money supply refer to:**

* a)The total amount of gold reserves held by a country.
* b)The total amount of money in circulation within an economy at a specific time.
* c)The total amount of debt owed by a country.
* d)The total number of banks in a country.

**12. The increase in the price of goods and services is called:**

* a) Inflation
* b) Deflation
* c) Devaluation
* d) Cons

**13.What is Bitcoin?**

* a) A traditional fiat currency
* b) A physical coin used for online transactions
* c) A decentralized digital currency that can be transferred on the peer to peer network.
* d) A type of credit card

**14. How is Bitcoin protected against inflation compared to fiat currencies?**

* a) By printing more Bitcoin
* b) By allowing government control
* c) By having a fixed supply
* d) By increasing the circulation of money

**15. How does Bitcoin price affect its use?**

* a) If the price is high, people are more likely to use it for transactions because they expect it to continue rising.
* b) If Bitcoin price is high, people are less likely to use it for transactions, preferring to hold it as an investment.
* c) If Bitcoin price is high, people use it more for transactions because it is more stable.
* d) If Bitcoin price is high, it has no impact on how people use it.

**16. State whether the following statement is true TRUE / FALSE:**

**A blockchain is a decentralized distributed ledger of all transactions across the Bitcoin network.**

* a) TRUE
* b)FALSE

**17. In a blockchain, how are transactions recorded?**

* a) As entries in a central database.
* b) As individuals in each miners computer.
* c) In blocks that are linked together in a chain.
* d) To a certain type of a computer system.

**18. How does blockchain ensure the immutability of transactions?**

* a) By storing copies of the blockchain in all network nodes.
* b) By using central authorities for transaction verification.
* c) By allowing transactions to be altered by miners.
* d) By using a code that can be easily decoded.

**19. The process by which new bitcoin is generated in a bitcoin network is called \_\_\_\_ .**

* a) Staking.
* b) Mining.
* c) Lending.
* d) Trading.

**20. What is the target block time?**

* a) Every minute.
* b) About 10 minutes on average.
* c) About 30 minutes on average.
* d) Hourly.

**21. What is the Bitcoin difficulty adjustment?**

* a) To change the total supply of Bitcoins.
* b) To increase transaction fees.
* c) To reduce the number of miners.
* d) To control the speed of block generation and maintain a target block time.

**22. \_\_\_\_\_\_\_\_ is the underlying technology behind Bitcoin.**

* a) Artificial intelligence
* b) Blockchain
* c) Cloud computing
* d) Quantum computing

**23. The maximum supply of Bitcoin that can ever exist is \_\_\_** .

* a) 2 100 000
* b) 21 000 000
* c) 21 000
* d) 100 000 000

**24. If 1 Bitcoin is equivalent to 100, 000, 000 satoshis, how many satoshis are there in 5 Bitcoins?**

* a) 5 000 000
* b) 50 000
* c) 500 000 000
* d) 50 000 000

**25. A Bitcoin wallet is .**

* a) A physical container for Bitcoin.
* b) A hardware / software used to manage and store Bitcoin addresses and keys.
* c) A digital bank account for fiat currencies.
* d) A marketplace for selling and buying Bitcoins.

**26. To complete a Bitcoin transaction, is required.**

* a) A signature from a trusted bank.
* b) An approval from a central authority.
* c) A private key.
* d) A government issued ID.

**27.**  **ensure the security of Bitcoin transactions.**

* a) Centralized banks
* b) The Bitcoin blockchain and cryptographic techniques
* c) Government regulations
* d) User passwords

**28. What is an on-chain wallet?**

* a) It is a wallet that stores private keys on a physical device.
* b) It is a wallet where transactions are recorded directly on the blockchain.
* c) It is a wallet used exclusively for storing sats for short term savings.
* d) It is a wallet that stores funds in a centralized database.

**29. Which of the following is the key advantage of an off - chain wallet?**

* a) All transactions are instantly confirmed in a blockchain.
* b) Transactions can be faster and cheaper as they are not immediately recorded on the blockchain.
* c) It ensures maximum transparency for all transactions.
* d) It eliminates the need for any third-party service providers.

**30. Which type of wallet is typically more secure due to the transparency and immutability of transactions?**

* a) On–chain wallet is secured.
* b) Off–chain wallet is secured.
* c) Both are equally secured.
* d) Neither is secured.

**31. What does the abbreviation UTXO stand for?**

* a) Untraceable Transaction Output
* b) Unique Transaction Order
* c) Unverified Transaction Origin
* d) Unspent Transaction Output

**32. Why is the concept of UTXO’s important for maintaining the integrity of a blockchain?**

* a) It ensures that all transactions are verified by a central authority.
* b) It manages the total supply of Bitcoins.
* c) It prevents double spending by tracking which outputs have been used and which are still available.
* d) It speeds up the transaction processing time.

**33. What is the primary purpose of the block header in a block chain?**

* a) To store the actual transactions of the block.
* b) To uniquely identify each block and serve as metadata for the block.
* c) To hold the private key for miners.
* d) To provide a backup of the entire blockchain.

**34. Which of the following is NOT typically found in a block header.**

* a) Previous block hash
* b) Time stamp
* c) Transaction details
* d) Nonce

**35. What is a Bitcoin fork also known as a hard fork?**

* a) A method for creating new Bitcoins.
* b) A split in the blockchain that creates two separate versions of the currency.
* c) A way to enhance transaction speed.
* d) A security feature for wallets.

**36. Bitcoin node serves a purpose of**  **.**

* a) Storing and validating transactions and blocks.
* b) Maintains a copy of the blockchain.
* c) Helps keep the network secure and in agreement.
* d) All of the above.

**37. The term used for mathematical puzzles that miners need to solve?**

* a) Proof of work.
* b) Proof or ownership.
* c) Proof of transactions.
* d) Proof of stake.

**38. What is your understanding about Bitcoin halving?**

* a) The process of increasing the Bitcoin supply.
* b) The reduction of Bitcoin block rewards by 50%.
* c) The doubling of bitcoin transaction fees.
* d) The process of merging two Bitcoin blocks.

**39. What was the block reward before the halving in 2016?**

* a) 50 BTC
* b) 25 BTC
* c) 12.5 BTC
* d) 6.25 BTC

**40. What is 51% attack in the context of blockchain technology?**

* a) An attack on the network to lower transaction fees.
* b) An attack where an entity gains control of more than 50% of the network’s mining or computational power.
* c) An attack to increase the blocksize.
* d) An attack to change the blockchain’s consensus algorithm.

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