Assessments Chapter 7

1. What is the main purpose of a Bitcoin wallet?

A) To store physical cash

B) To store digital coins

C) To store private keys

D) To store public keys

Correct answer: C) To store private keys

Rationale: A Bitcoin wallet is used to store private keys, which are used to access and manage Bitcoin funds.

2. What is the difference between a self-custodial wallet and a custodial wallet?

A) A self-custodial wallet is more secure, while a custodial wallet is less secure

B) A self-custodial wallet is less secure, while a custodial wallet is more secure

C) A self-custodial wallet gives the user full control over their funds, while a custodial wallet gives a third party control over the funds

D) A self-custodial wallet is more expensive, while a custodial wallet is less expensive

Correct answer: C) A self-custodial wallet gives the user full control over their funds, while a custodial wallet gives a third party control over the funds

Rationale: A self-custodial wallet gives the user full control over their funds, while a custodial wallet gives a third party control over the funds.

3. What is the purpose of a seed phrase in a Bitcoin wallet?

A) To generate new private keys

B) To recover a lost wallet

C) To create a new wallet

D) To send Bitcoin transactions

Correct answer: B) To recover a lost wallet

Rationale: A seed phrase is used to recover a lost wallet and access the funds associated with it.

4. What is the difference between a mobile wallet and a desktop wallet?

A) A mobile wallet is more secure, while a desktop wallet is less secure

B) A mobile wallet is less secure, while a desktop wallet is more secure

C) A mobile wallet is more convenient, while a desktop wallet is less convenient

D) A mobile wallet is used for small transactions, while a desktop wallet is used for large transactions

Correct answer: C) A mobile wallet is more convenient, while a desktop wallet is less convenient

Rationale: A mobile wallet is more convenient because it can be accessed on-the-go, while a desktop wallet is less convenient because it requires a computer to access.

5. What is the purpose of a hardware wallet?

A) To store large amounts of Bitcoin

B) To make frequent transactions

C) To provide an additional layer of security

D) To access Bitcoin funds quickly

Correct answer: C) To provide an additional layer of security

Rationale: A hardware wallet provides an additional layer of security by storing private keys offline and protecting them from potential hackers.

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

A) A centralized exchange is more secure, while a decentralized exchange is less secure

B) A centralized exchange is less secure, while a decentralized exchange is more secure

C) A centralized exchange requires users to trust a third party, while a decentralized exchange does not

D) A centralized exchange is more expensive, while a decentralized exchange is less expensive

Correct answer: C) A centralized exchange requires users to trust a third party, while a decentralized exchange does not

Rationale: A centralized exchange requires users to trust a third party to hold their funds, while a decentralized exchange does not require trust in a third party.

7. What is the purpose of a Bitcoin transaction?

A) To send Bitcoin from one wallet to another

B) To receive Bitcoin from one wallet to another

C) To store Bitcoin in a wallet

D) To exchange Bitcoin for fiat currency

Correct answer: A) To send Bitcoin from one wallet to another

Rationale: A Bitcoin transaction is used to send Bitcoin from one wallet to another.

8. What is the role of a miner in the Bitcoin network?

A) To validate transactions

B) To create new Bitcoin

C) To store Bitcoin in a wallet

D) To exchange Bitcoin for fiat currency

Correct answer: A) To validate transactions

Rationale: A miner's role is to validate transactions on the Bitcoin network and add them to the blockchain.

9. What is the purpose of a blockchain?

A) To store Bitcoin transactions

B) To create new Bitcoin

C) To validate transactions

D) To exchange Bitcoin for fiat currency

Correct answer: A) To store Bitcoin transactions

Rationale: A blockchain is used to store Bitcoin transactions in a decentralized and transparent manner.

10. What is the difference between a public key and a private key?

A) A public key is used to receive Bitcoin, while a private key is used to send Bitcoin

B) A public key is used to send Bitcoin, while a private key is used to receive Bitcoin

C) A public key is used to access a wallet, while a private key is used to secure a wallet

D) A public key is used to create a new wallet,

Correct answer: A) A public key is used to receive Bitcoin, while a private key is used to send Bitcoin

Rationale: public key is used as an address to receive Bitcoin, while private key is used to sign and send Bitcoin