Assessments Chapter 8

1. What is the main purpose of the Lightning Network?

A) To increase the block size of the Bitcoin blockchain

B) To decrease the transaction fees on the Bitcoin network

C) To enable faster and cheaper transactions on the Bitcoin network

D) To increase the security of the Bitcoin network

Correct answer: C) To enable faster and cheaper transactions on the Bitcoin network

Rationale: The Lightning Network is a second-layer payment protocol that operates on top of the Bitcoin blockchain, enabling faster and cheaper transactions.

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 gives the user full control over their funds, while a custodial wallet gives a third party control over the funds

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

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

Correct answer: B) 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 Lightning 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 an on-chain transaction and an off-chain transaction?

A) An on-chain transaction is faster, while an off-chain transaction is slower

B) An on-chain transaction is more secure, while an off-chain transaction is less secure

C) An on-chain transaction is recorded on the blockchain, while an off-chain transaction is not

D) An on-chain transaction is more expensive, while an off-chain transaction is less expensive

Correct answer: C) An on-chain transaction is recorded on the blockchain, while an off-chain transaction is not

Rationale: An on-chain transaction is recorded on the blockchain, while an off-chain transaction is not.

5. What is the role of a node operator in the Lightning Network?

A) To validate transactions on the blockchain

B) To create new blocks on the blockchain

C) To act as an intermediary between two parties in a transaction

D) To control the flow of funds in the Lightning Network

Correct answer: C) To act as an intermediary between two parties in a transaction

Rationale: A node operator acts as an intermediary between two parties in a transaction, helping to facilitate the flow of funds.

6. What is the benefit of using the Lightning Network for merchants?

A) Lower transaction fees

B) Faster transaction processing times

C) Increased security

D) All of the above

Correct answer: D) All of the above

Rationale: The Lightning Network offers lower transaction fees, faster transaction processing times, and increased security for merchants.

7. What is the purpose of a payment channel in the Lightning Network?

A) To enable multiple transactions between two parties without the need for a new on-chain transaction

B) To increase the security of transactions on the Lightning Network

C) To decrease the transaction fees on the Lightning Network

D) To enable the use of credit cards on the Lightning Network

Correct answer: A) To enable multiple transactions between two parties without the need for a new on-chain transaction

Rationale: A payment channel enables multiple transactions between two parties without the need for a new on-chain transaction.

8. What is the difference between a self-hosted payment processor and a third-party payment processor?

A) A self-hosted payment processor is more secure, while a third-party payment processor is less secure

B) A self-hosted payment processor gives the user full control over their funds, while a third-party payment processor gives a third party control over the funds

C) A self-hosted payment processor is more expensive, while a third-party payment processor is less expensive

D) A self-hosted payment processor is less convenient, while a third-party payment processor is more convenient

Correct answer: B) A self-hosted payment processor gives the user full control over their funds, while a third-party payment processor gives a third party control over the funds

Rationale: A self-hosted payment processor gives the user full control over their funds, while a third-party payment processor gives a third party control over the funds.

9. What is the purpose of BTCPay Server?

A) To enable merchants to accept Bitcoin payments

B) To enable users to send Bitcoin transactions

C) To increase the block size

D) To increase transaction speed

Correct answer: A) To enable merchants to accept Bitcoin payments

10. What is BTCMap.org?

A) Centralized payment processor

B) Online wallet for storing bitcoins

C) Nothing is true

D) Map showing places that accept Bitcoin

Correct answer: D) Map showing places that accept Bitcoin