Smart Contracts

LATEST SUBMISSION GRADE

80%

1. A smart contract is: **0 / 1 point**

- Any interaction between two or more parties on a blockchain network.
- A browser-based tool capable of viewing all transactions on a particular blockchain.
- Software that mimics the logic of an agreement and automates the execution of transactions
- A software client that houses private keys and allows users to access, view, and create transactions on a blockchain.

Incorrect

Please review the video "What are Smart Contracts?" in Module 2, Lesson 1 for more information

2. What is/are the benefit(s) of using a smart contract? **1 / 1 point**

- It reduces mental transaction costs, enabling the computer to do more precisely and more ably what the human mind cannot
- It increases predictability, enabling users to measure losses and manage risks more accurately
- It provides broad security over users' business dealings
- All of the above

Correct

All of the above are benefits of smart contracts.

3. A key feature of a smart contract is: **1 / 1 point**

- It cannot be seized, stopped, or redirected to another address once it has been set in motion on a blockchain
- It typically entails a zero-sum game wherein one party benefits and the other party loses
- It provides incentives for parties to modify or alter the actions that were mutually agreed upon when the contract was formed
- All of the above

Correct
Once deployed, a smart contract cannot be revoked.

4. What happens during the *performance* phase of a smart contract deal cycle? **1 / 1 point**

- Buyers and sellers find each other
- The smart contract manages the collateral to affect an outcome
- Parties agree upon and commit to the terms of the contract
- Parties rate each other, thereby incentivizing the desired outcome

Correct
This describes the *performance* phase of a smart contract deal cycle.

5. *Wet code* refers to: **1 / 1 point**

- A cipher used to encrypt or decrypt a message
- Legal language that is interpreted by a human
- Software code that is interpreted by a computer
- A string of characters that is provided to an online retailer in order to receive a discount or rebate when making a purchase

Correct
Wet code refers to the 'code of law' - i.e. legal language that is interpreted by a human.

6. How does a smart contract differ from a traditional legal contract? **0 / 1 point**

- The language of a smart contract is flexible and corruptible, whereas the language of a traditional contract is rigid and predictable
- In general, a smart contract is more complex and contains a greater number of conditions than a traditional contract.
- A smart contract is executed by impartial technology (e.g. sensor-guided effectors), whereas a traditional contract contains rules and conditions that are subject to human judgment
- All of the above

Incorrect

Please review the video "Smart vs. Traditional Contracts" in Module 2, Lesson 2 for more information.

7. How do smart contracts fit within the traditional legal system? **1 / 1 point**

- While smart contracts are inspired by and can replace some of the functions of traditional contracts, they are largely complementary
- Traditional law and smart contracts work best in synergy
- A smart contract generally makes no attempt to be a legally binding contract; it is called a smart contract because it mimics or improves upon the effects of a traditional legal contract
- (selected) All of the above

Correct

All of the above statements are correct.

8. Traditional contracts tend to be biased toward their jurisdiction of origin. Conversely, a smart contract on a blockchain: **1 / 1 point**

- (selected) Applies the same rules and logic everywhere around the globe
- Is programmed with information on all the world's legal systems
- Does not impinge upon any off-chain processes or actions within various jurisdictions
- All of the above

Correct

A smart contract is a piece of software code that would execute in the same way, no matter where in the world it is deployed.

9. Which of the following describes a potential application of smart contracts in the *insurance* industry? **1 / 1 point**

- A smart contract could estimate the value of property damage caused by a flood.
- A smart contract could determine whether a fire was set intentionally (i.e. arson) or not
- A smart contract could identify when a patient has been misdiagnosed by his/her healthcare provider.

- (●) A smart contract could automate the payout of a parametric contract following a measurable, insured event.

✓ **Correct**
This represents a potential application of smart contracts in the insurance industry.

10. A key strategy for effectively implementing smart contracts in a business is: **1 / 1 point**

- ( ) To assign tasks to employees on the fly, and to conduct periodic performance reviews to assess their performance
- (●) To hire lawyers who know computer science and software engineers who know law
- ( ) To capture and respond to more consumer metrics by increasing the length of customers' forms
- ( ) None of the above

✓ **Correct**
Hiring lawyers who know computer science and software engineers who know law is a key strategy for effectively implementing smart contracts in a business.