

# Rethinking Finance

TOTAL POINTS 10

1. Today's global financial services industry is:

1 point

- ☐ Antiquated: It is built on decades-old technology that is at odds with our rapidly advancing digital world
- ☐ Exclusive: It leaves billions of people with no access to basic financial tools
- ☐ Centralized: It is exposed to data breaches, other attacks, and outright failure
- ☒ All of the above

2. Blockchain technology promises to mitigate several forms of financial risk. The most significant is \_\_\_\_\_, which blockchain could eliminate completely.

1 point

- ☒ ~~settlement risk~~
- ☐ ~~counterparty risk~~
- ☐ systemic risk (Herstatt risk)
- ☐ agency risk

3. In today's financial services industry, remittances take 3-7 days to settle, stock trades take 2-3 days to settle, and bank loan trades take an average of 23 days to settle. How long does it take a transaction to settle on the Bitcoin *Lightning Network*?

1 point

- ☐ milliseconds to seconds
- ☒ 1 minute, on average
- ☐ 10 minutes, on average
- ☐ Anywhere from 10 minutes to several hours; There is no guarantee that a transaction will be included in the next block—especially if the transaction fee offered to miners is too low.

4. What impact will blockchain have on financial *lending*?

1 point

- ☐ ~~The process of issuing debt instruments will become slower and less transparent.~~
- ☐ Consumers, entrepreneurs, and the unbanked will be able to access loans directly from peers

- ☐ The demand for ancillary industries to perform credit checks, issue credit scores, and assign credit ratings will increase.
- ☒ ~~All of the above~~

5. How will blockchain disrupt global trade (i.e. *exchanging value*)?

1 point

- ☐ It will reduce settlement times on transactions.
- ☐ It will reduce the efficiency of buying and selling assets and financial instruments.
- ☒ ~~It will reduce the opportunities available for unbanked and underbanked people to participate in wealth creation.~~
- ☐ ~~All of the above~~

6. How will blockchain affect financial *investing*?

1 point

- ☐ It will make the process of recording dividends and paying coupons less secure and transparent.
- ☐ It will increase the demand for investment bankers to match investors with entrepreneurs and business owners.
- ☒ It will enable new models of peer-to-peer financing through token generation events or Initial Coin Offerings (ICOs).
- ☐ All of the above

7. This system of accounting was invented in 15th century Italy by Luca Pacioli, which gave rise to modern accounting practices.

1 point

- ☐ double-spending
- ☐ double-entry accounting
- ☒ ~~triple-entry accounting~~
- ☐ ~~auditing~~

8. Why are traditional accounting practices ill-suited to the modern era?

1 point

- ☐ They rely upon managers to swear that their books are in order, yet management doesn't always act with integrity.
- ☐ They propagate human error—a leading cause of accounting mistakes.
- ☐ They cannot reconcile new business models, such as microtransactions.

☒ All of the above

9. This alternative framework for accounting, originally conceived by Yuji Ijiri, has been reappropriated by some to mean the presence of a shared, cryptographically sealed receipt of transactions on a blockchain.

1 point

- ☐ double-spending
- ☐ double-entry accounting
- ☒ triple-entry accounting
- ☐ auditing

10. What is/are the implication(s) of a “World Wide Ledger” for accounting?

1 point

- ☐ It would streamline compliance and reduce risk for banks.
- ☐ It would provide regulators with near-real time access to an organization’s financial records.
- ☐ It would reduce or eliminate the need for audit firms.
- ☒ All of the above



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