Eccouncil 312-82 Practice Questions

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Question 1

Question Type: MultipleChoice

The Financial Action Task force defines virtual asset service providers as companies that (Select two):

Options:

A- Sell products for virtual currency
B- Purchase virtual currency
C- Exchange virtual assets for fiat currency
D- Transfer virtual assets

Answer:

C, D

Explanation:

According to the Financial Action Task Force (FATF), Virtual Asset Service Providers (VASPs) are entities or companies that facilitate activities related to virtual assets. Specifically, VASPs include businesses that exchange virtual assets for fiat currency and transfer virtual assets. These activities are regulated to prevent money laundering, terrorist financing, and other illicit activities.

Key Details:

Exchange of Virtual Assets for Fiat Currency: VASPs often act as intermediaries that enable the conversion between virtual assets (like cryptocurrencies) and traditional fiat currencies. This function is central to enabling liquidity and usability of cryptocurrencies within the traditional financial system.

Transfer of Virtual Assets: VASPs may also provide services that involve the transfer of virtual assets from one user to another, which includes activities such as facilitating peer-to-peer transactions, wallet services, or custodial services.

FATF Standards and Compliance: The FATF has established guidelines for VASPs to enhance transparency and ensure compliance with Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) regulations.

Thus, the correct answers are C. Exchange virtual assets for fiat currency and D. Transfer virtual assets, as these are the core activities defined for VASPs by the FATF.

Question 2

Question Type: MultipleChoice

When you purchase bitcoins, how are they stored?

Options:

A- In an exchange
B- As a file
C- As a hash
D- In a bitcoin wallet

Answer:

D

Explanation:

When you purchase bitcoins, they are stored in a bitcoin wallet. A bitcoin wallet is a digital tool that stores the cryptographic keys necessary to access and manage your Bitcoin holdings. It does not store physical bitcoins but instead holds the keys to access them on the blockchain.

Key Details:

Functionality of Bitcoin Wallets: Bitcoin wallets manage private and public keys. The private key is required to sign transactions, while the public key generates addresses that allow for receiving bitcoins. Without access to the private key, the user cannot spend or transfer their bitcoins.

Types of Bitcoin Wallets: Wallets can be software-based (such as mobile or desktop apps) or hardware-based (physical devices like a Ledger or Trezor). There are also online (custodial) wallets provided by exchanges, but these still technically store bitcoins within a wallet.

Not a Physical Storage: Bitcoins do not exist as physical files or objects. The wallet is an interface that interacts with the blockchain, where the actual records of ownership are maintained.

Thus, D. In a bitcoin wallet is the correct answer, as bitcoins are stored in wallets that hold the keys necessary to interact with the Bitcoin blockchain.

Question 3

Question Type: MultipleChoice

_____is a blockchain based predictions market that uses the Ethereum blockchain.

Options:

A- Augur
B- IBM Blockchain
C- STEEM
D- DASH

Answer:

A

Explanation:

Augur is a decentralized, blockchain-based predictions market built on the Ethereum network. It enables users to create and participate in markets based on the outcome of real-world events, using smart contracts to automate the process and secure transactions.

Key Details:

Ethereum-Based: Augur utilizes the Ethereum blockchain to facilitate the creation and settlement of prediction markets. It leverages Ethereum's smart contracts to ensure transparency, immutability, and trustless interactions.

Decentralized Prediction Market: In Augur, users can bet on the outcome of various events, ranging from sports to elections. The decentralized nature of the platform ensures that no central authority controls the markets, providing a level of censorship resistance.

Token Usage: Augur uses a token called REP (Reputation) that holders use to report and dispute outcomes of events on the platform. This ensures that the market outcomes are validated in a decentralized manner.

Thus, A. Augur is the correct answer, as it is a blockchain-based prediction market built on Ethereum.

Question 4

Question Type: MultipleChoice

_____is a word use to describe technologies which store, distribute and facilitate the exchange of value between users, either privately or publicly

Options:

A- DAO
B- Ledger
C- DLT
D- Blockchain

Answer:

C

Explanation:

Distributed Ledger Technology (DLT) is a broad term used to describe technologies that store, distribute, and facilitate the exchange of value between users, either privately or publicly. DLT encompasses various types of ledgers, including blockchains, where data is replicated, shared, and synchronized across a distributed network.

Key Details:

Definition and Scope: DLT refers to a digital system for recording transactions across multiple locations simultaneously. It allows for decentralized data management and reduces the need for a central authority to maintain a ledger.

Private and Public Ledgers: DLT can be implemented in both private (permissioned) and public (permissionless) networks. In public DLT, anyone can participate, while private DLT restricts access to authorized participants only.

Examples of DLT: Blockchain is one form of DLT, but other types include Directed Acyclic Graphs (DAGs) and Hashgraph. Each of these has unique mechanisms for data storage and consensus.

Therefore, C. DLT is the correct answer, as it is the term that broadly covers technologies used for the exchange and storage of value in distributed systems.

Question 5

Question Type: MultipleChoice

Is a Microsoft blockchain development platform that allows the creation of custom private blockchains.

Options:

A- Sratis
B- Corda
C- Azure
D- Fabric

Answer:

C

Explanation:

Microsoft Azure is a blockchain development platform that enables the creation of custom private blockchains. Azure Blockchain Service provides tools and services that allow organizations to set up and manage consortium blockchain networks, customize smart contracts, and create tailored blockchain applications. Azure supports multiple blockchain frameworks, including Ethereum and Hyperledger Fabric, making it versatile for both private and public network needs.

Key Details:

Azure Blockchain Service: This service facilitates the deployment of managed blockchain networks on the cloud, leveraging Azure's infrastructure to deliver scalability, security, and reliability for private and consortium blockchain applications.

Private Blockchain Capabilities: As a private blockchain service, Azure allows businesses to operate their blockchain in a controlled, permissioned environment. This offers greater control over data and participants, making it ideal for enterprise use cases like supply chain management, finance, and legal contracts.

Blockchain Framework Compatibility: Although Azure supports a variety of blockchain protocols, it primarily focuses on private blockchain deployments, allowing for detailed control over network participants and data visibility.

In summary, Microsoft Azure stands out as a flexible and comprehensive platform for private blockchain development, catering to enterprises with tailored solutions and extensive cloud-based services.

Question 6

Question Type: MultipleChoice

These wallets use a this passphrase to derive the private key

Options:

A- Non-Deterministic Wallets
B- Brain Wallets
C- Hierarchical Deterministic Wallets
D- Deterministic Wallets

Answer:

B

Explanation:

Brain Wallets derive private keys from a passphrase. This approach allows users to create a wallet by memorizing a unique phrase, which is then hashed to generate the corresponding private key.

Key Details:

Use of Passphrases: Brain wallets use a passphrase that is entered by the user, typically a string of words that can be remembered easily. This passphrase is then converted into a private key using a cryptographic hash function.

Security Concerns: While convenient, brain wallets are susceptible to brute-force attacks if the passphrase is not sufficiently complex. Simple or common phrases may be vulnerable to attackers who use lists of common phrases to derive potential private keys.

Distinction from Deterministic Wallets: Unlike Hierarchical Deterministic Wallets, which use a seed phrase to generate a tree of keys, brain wallets derive a single private key directly from a passphrase.

In conclusion, B. Brain Wallets is the correct answer, as these wallets use a passphrase to generate the private key.

Question 7

Question Type: MultipleChoice

What is the primary way blockchain could help in the food industry?

Options:

A- Streamlining management
B- Eliminating food born illness
C- Making transaction ore transparent
D- Making transport safer

Answer:

C

Explanation:

Blockchain can greatly benefit the food industry by making transactions more transparent. By recording each transaction in an immutable ledger, blockchain enables traceability, which is crucial for food safety, quality control, and ensuring that products meet regulatory standards.

Key Details:

Traceability: Blockchain allows for the tracking of food products from farm to table. Each step in the supply chain can be recorded on the blockchain, providing consumers and regulators with transparent information about the origin and journey of food products.

Improving Trust and Safety: With transparent transactions, stakeholders can quickly identify and address issues such as contamination, fraud, or mislabeling, which enhances food safety and consumer trust.

Enhanced Efficiency: By reducing paperwork and enabling digital record-keeping, blockchain streamlines the process of verifying and sharing information about food products across various parties.

Thus, C. Making transactions more transparent is the correct answer, as it highlights blockchain's role in providing transparency in the food industry.

Question 8

Question Type: MultipleChoice

These wallets contain randomly generated private keys and are also called just a bunch of key wallets.

Options:

A- Brain Wallets
B- Hierarchical Deterministic Wallets
C- Non-Deterministic Wallets
D- Deterministic Wallets

Answer:

C

Explanation:

Non-Deterministic Wallets, also known as 'Just a Bunch of Keys' (JBOK) wallets, contain randomly generated private keys that are not derived from a single seed. In this type of wallet, each key is created independently and must be backed up individually, as there is no way to recover keys through a mnemonic seed phrase.

Key Details:

Random Key Generation: Non-Deterministic wallets generate private keys independently, without a hierarchical or sequential structure. As a result, each key is standalone, and losing a key means losing access to the corresponding funds permanently.

Backup Requirements: Since each key is unique and unrelated, Non-Deterministic wallets require separate backups for each key. This differs from Hierarchical Deterministic wallets, which can be restored using a single seed phrase.

Use Case: These wallets were more common in the early days of cryptocurrency, but they are less favored today due to the convenience and recoverability provided by deterministic wallets.

In conclusion, C. Non-Deterministic Wallets is the correct answer, as it refers to wallets that contain randomly generated private keys and are known as JBOK wallets.

Question 9

Question Type: MultipleChoice

In this method users permanently destroy a certain quantity of bitcoin in proportion to the quantity of altcoin to be demand. What is this method?

Options:

A- Side block
B- Proof of Burn

C- Side-chaining
D- Proof of ownership

Answer:

B

Explanation:

Proof of Burn (PoB) is a consensus mechanism where users permanently destroy (or 'burn') a certain quantity of cryptocurrency, such as Bitcoin, to gain the right to mine or acquire an altcoin. This process proves commitment to the network and secures it by effectively sacrificing one asset to obtain another.

Key Details:

Burning Process: In PoB, participants send a certain amount of cryptocurrency to an unspendable address, effectively removing it from circulation. This act serves as proof that they have invested in the network by reducing the supply of the original cryptocurrency.

Purpose and Use Cases: PoB is used by networks that want to incentivize long-term commitment and reduce total supply. It is often seen in new blockchain projects that allow miners or users to trade value in established currencies like Bitcoin for the native token of the new network.

Security: By requiring participants to destroy value, PoB helps prevent spam attacks and promotes network stability.

Therefore, B. Proof of Burn is the correct answer, as it describes the method where users destroy a certain amount of cryptocurrency to receive or mine another asset.

Question 10

Question Type: MultipleChoice

Which option best is a language for working with Ethereum?

Options:

A- Mist
B- Rikeby
C- Solidity
D- Kovan

Answer:

C

Explanation:

Solidity is the primary programming language used for developing smart contracts on the Ethereum blockchain. It is a statically typed, high-level language similar to JavaScript and C++, and it is specifically designed for creating contracts that run on the Ethereum Virtual Machine (EVM).

Key Details:

Purpose of Solidity: Solidity was created by the Ethereum team to enable the development of smart contracts that automate the execution of blockchain-based applications. Its syntax is designed to be familiar to developers experienced in other programming languages, which helps in onboarding and learning.

Compatibility and Flexibility: As a Turing-complete language, Solidity allows for the development of complex smart contracts and decentralized applications (DApps) with conditional logic, loops, and more. It is widely used in the DeFi space and beyond.

Ethereum Test Networks: Other options listed, such as Rinkeby and Kovan, refer to Ethereum test networks where developers test smart contracts, but they are not languages themselves. Mist is an Ethereum wallet interface, not a programming language.

Thus, C. Solidity is the correct answer, as it is the language specifically designed for working with Ethereum smart contracts.

Question 11

Question Type: MultipleChoice

The right to publish a new block is determined by _____

Options:

A- Nodes proof of work
B- Nod's current investment in the blockchain
C- Transaction history
D- Position in the blockchain

Answer:

A

Explanation:

The right to publish a new block is commonly determined by Proof of Work (PoW) in blockchain networks like Bitcoin. In PoW, network nodes, known as miners, compete to solve a cryptographic puzzle. The first node to successfully solve it gains the right to add a new block to the blockchain.

Key Details:

Proof of Work Mechanism: Miners perform computational work to solve a hash puzzle, which proves that they have expended effort. This process ensures that blocks are added in a way that is resistant to tampering and fraud.

Reward System: The miner who successfully publishes a new block receives a block reward (in Bitcoin, for example), incentivizing miners to participate in maintaining the blockchain network's security.

Alternative Mechanisms: Other consensus mechanisms, such as Proof of Stake (PoS), do not rely on computational work but rather on a node's stake or investment in the blockchain. However, in the context of traditional blockchain models like Bitcoin, PoW is the primary method for determining block publication rights.

Therefore, A. Nodes proof of work is the correct answer, as PoW is the standard method by which nodes earn the right to publish new blocks in many blockchain networks.

Question 12

Question Type: MultipleChoice

A_____in a new chain and requires clients to upgrade in order to participate on the new blockchain.

Options:

A- Hard fork
B- Soft fork
C- Sharding
D- Sub chain

Answer:

A

Explanation:

A hard fork occurs when there is a fundamental change in a blockchain's protocol, resulting in the creation of a new chain that is incompatible with the previous one. After a hard fork, nodes must upgrade to the new version of the blockchain's software to continue participating in the network. A hard fork can be used to implement new features, fix security issues, or change core aspects of the blockchain.

Key Details:

Differences from Soft Forks: Unlike a soft fork, which is backward-compatible and allows nodes on the previous version to still participate, a hard fork splits the blockchain into two distinct paths, with the upgraded path requiring new software.

Examples: Notable hard forks include Bitcoin Cash from Bitcoin and Ethereum Classic from Ethereum. These forks occurred due to disagreements within the community on how to handle certain protocol changes, leading to the creation of separate blockchains.

Upgrade Requirements: Participants on the blockchain who wish to continue on the new chain after a hard fork must update their software. Those who do not upgrade remain on the original chain, which continues as a separate, incompatible blockchain.

Thus, the correct answer is Hard fork (A), as it directly refers to a blockchain split that requires client upgrades for participation.