

C4 Practice Test Questions and Answers

1. What is a smart contract?

- A) A legally binding digital agreement stored in a corporate database
- B) Self-executing code deployed on a blockchain that automatically enforces predefined rules when conditions are met
- C) An encrypted PDF contract signed with a private key
- D) A smart routing algorithm used by decentralized exchanges

2. What is a watch-only wallet?

- A) A wallet that only supports staking
- B) A wallet that holds the public keys/addresses only, allowing balance monitoring without the ability to spend funds
- C) A wallet restricted to receiving funds from a whitelist
- D) A hardware wallet in read-only mode after a firmware update

3. What is a flash loan in DeFi?

- A) A short-term loan from a centralized exchange with zero collateral
- B) An uncollateralized loan that must be borrowed and repaid within the same blockchain transaction
- C) A loan denominated in a flash-minted stablecoin
- D) A rapid lending product offered by crypto-friendly banks

4. What is yield farming in DeFi?

- A) Mining cryptocurrency using renewable energy sources
- B) The practice of strategically moving assets across DeFi protocols to maximize returns from interest, fees, and token rewards
- C) Staking tokens in a proof-of-stake validator node
- D) Lending fiat currency through a crypto-collateralized platform

Answers: 1-B 2-B 3-B 4-B

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