

# NFT Explainer

## Quiz – 10 Multiple-Choice Questions

**Topics covered:** Fungibility · On-chain vs. off-chain · Minting · Marketplaces · Hype cycle · Soulbound tokens

*Select the best answer. Answers revealed after each question.*

*Bloom's levels: 3 Understand · 3 Apply · 2 Analyze · 2 Evaluate*

**Q1 [Understand]. What does “non-fungible” mean in the context of NFTs?**

- A) Cannot be divided into smaller units
- B) Cannot be copied or duplicated
- C) Cannot be interchanged for an identical item
- D) Cannot be transferred between wallets

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**Answer: (C)** – A dollar is fungible (any dollar works). The Mona Lisa is non-fungible (only the original counts). NFTs give digital items this “only the original” property.

**Q2 [Understand]. What does an NFT actually store on the blockchain?**

- A) The image or media file itself
- B) A token ID and a pointer to off-chain metadata
- C) The copyright to the digital work
- D) The artist's real identity

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**Answer: (B)** – The file lives off-chain (on IPFS or similar). The blockchain stores only the token ID, owner address, and a URI pointing to the metadata.

**Q3 [Understand]. What is “minting” in the context of NFTs?**

- A) Creating a physical commemorative coin
- B) Writing a new unique token to the blockchain
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**Answer: (B)** – Minting calls a smart contract function that creates a new token ID, assigns it to the creator, and links it to metadata.

**Q4 [Apply]. A concert ticket for Seat A7 and a concert ticket for Seat B3 are both valid for the same show. Are they fungible?**

- A) Yes – both grant entry to the same concert
- B) No – each ticket represents a unique seat
- C) Yes – they cost the same price
- D) No – one is digital and one is physical

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**Answer: (B)** – Fungibility means any unit is interchangeable. Seat A7 and Seat B3 are different (non-fungible), even though both are valid tickets.

**Q5 [Apply]. You mint an NFT of your photograph. A buyer purchases it. What does the buyer now legally own?**

- A) The copyright to your photograph
- B) The physical print of the photograph
- C) A blockchain token pointing to the photograph's metadata
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**Answer: (C)** – Unless the sale explicitly includes a copyright transfer, the buyer owns only the on-chain token. The creator retains copyright.

**Q6 [Apply]. You want to practice minting an NFT without spending real money. What should you use?**

- A) Ethereum mainnet with a small amount of ETH
- B) A Sepolia testnet with free test ETH from a faucet
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**Answer: (B)** – Testnets like Sepolia provide free ETH for practice. Mistakes cost nothing and the process is identical to mainnet.

**Q7 [Analyze]. In 2023, Blur offered zero-fee NFT trading, forcing OpenSea to make creator royalties optional. What economic principle does this illustrate?**

- A) Supply and demand equilibrium
- B) A race to the bottom driven by competitive pressure
- C) Price discrimination by monopolists
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**Q8 [Analyze].** By 2024, approximately 96% of NFT collections launched during 2021–2022 were considered “dead.” What is the most likely economic explanation?

- A) Blockchain technology stopped working
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**Answer: (C)** – Collections without ongoing utility, community, or value flow lose demand once speculative interest fades.

**Q9 [Evaluate].** A university proposes issuing diplomas as Soulbound Tokens (non-transferable NFTs). What is the strongest argument against this approach?

- A) Blockchains cannot store text data
- B) Students would need to learn cryptocurrency
- C) Permanent, public, immutable records raise privacy and discrimination concerns
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**Answer: (C)** – Unlike paper diplomas (which you choose when to show), blockchain records are permanent and publicly visible, creating risks.

**Q10 [Evaluate].** ERC-6551 gives each NFT its own smart contract wallet. What is the strongest argument that this will increase NFT adoption?

- A) It makes NFTs cheaper to mint
- B) It enables composable digital identities where items accumulate provable history
- C) It eliminates the need for marketplaces
- D) It makes all NFTs fungible

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**Answer: (B)** – Token-bound accounts let NFTs carry their own assets and history, creating richer, more valuable digital objects.