NFTs & Digital Assets

Module Quiz – 20 Multiple-Choice Questions

Topics covered: NFT technology · Metadata & IPFS · Marketplaces · Digital art · Gaming & metaverse · Real-world asset tokenization

Select the best answer. Answers revealed after each question.

Bloom's levels: 4 Understand · 8 Apply · 6 Analyze · 2 Evaluate

Quiz: Questions 1–5

Understand / Apply

Q1 [Understand]. What does "non-fungible" mean in the context of NFTs?
A) Tokens that can be divided into smaller units B) Tokens that are unique and not interchangeable
C) Tokens that expire after a set period D) Tokens that can only be used once

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Answer: (B) – Non-fungible means each token is unique; unlike ETH, no two units are identical.

Q2 [Understand]. What does an NFT actually store on the blockchain?
A) The image file and its metadata B) A compressed version of the artwork
C) Token ID, owner address, and a URI pointing to metadata D) The complete metadata JSON file

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Answer: (C) – NFTs store only the token ID, owner, and a pointer (tokenURI); media lives off-chain.

Q3 [Understand]. What is the key difference between ERC-721 and ERC-1155?
A) ERC-721 supports batch transfers; ERC-1155 does not B) ERC-1155 supports both fungible and non-fungible tokens in one contract
C) ERC-721 is newer than ERC-1155 D) ERC-1155 can only store images

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Answer: (B) – ERC-1155 is a multi-token standard; ERC-721 handles only unique tokens.

Q4 [Understand]. What is the purpose of `tokenURI` in an NFT contract?
A) It stores the token's sale price B) It records the creation timestamp
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Answer: (D) – tokenURI returns a URI (typically IPFS or HTTP) pointing to a JSON description.

Q5 [Apply]. An NFT's image is stored on a centralized server that goes permanently offline. What happens?
A) The NFT is automatically destroyed B) The image transfers to IPFS automatically
C) The token persists on-chain but the image is lost D) The blockchain stores a backup copy

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Answer: (C) – Ownership record stays on-chain, but the media it points to becomes inaccessible.

Quiz: Questions 6–10

Apply

Q6 [Apply]. How does IPFS content addressing differ from traditional URL addressing?
A) IPFS uses the server location; URLs use the content hash B) IPFS addresses content by its cryptographic hash; URLs address by server location
C) They are identical in function D) IPFS only works for images; URLs work for all file types

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Answer: (B) – IPFS CIDs are derived from the file's hash, so the same content always has the same address.

Q7 [Apply]. In an English auction for an NFT, what determines the outcome?
A) The highest bidder wins when the auction ends B) The price decreases until someone buys
C) A random winner is selected from all bidders D) The first person to bid wins

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Q8 [Apply]. A collection mints 10,000 NFTs at 0.08 ETH each. What is the total mint revenue?
A) 1,000 ETH B) 800 ETH C) 80 ETH D) 8,000 ETH

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Answer: (B) – $10{,}000 \times 0.08 = 800$ ETH total mint revenue.

Q9 [Apply]. A creator sets 5% royalties. After Blur makes royalties optional, what happens to creator income?
A) It increases due to more trading volume B) It stays the same because royalties are on-chain
C) It increases because Blur pays higher royalties D) It drops as traders migrate to zero-royalty platforms

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Answer: (D) – Marketplace competition eliminated royalty enforcement; creators lose income even with ERC-2981 set.

Q10 [Apply]. Axie Infinity's SLP token dropped from \$0.39 to \$0.003. What is the approximate percentage loss?
A) 90.0% B) 97.5% C) 99.2% D) 99.9%

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A) 90.0% B) 97.5% C) 99.2% D) 99.9%
Answer: (C) – $(0.39 - 0.003)/0.39 \approx 0.992$, i.e. a 99.2% decline.

Quiz: Questions 11–15

Apply / Analyze

Q11 [Apply]. CryptoPunks have a floor price of 50 ETH at $2,500/ETH. With 10,000 Punks, what is the minimum collection value?
A) $1.25 billion B) $500 million C) $125 million D) $2.5 billion

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A) $1.25 billion B) $500 million C) $125 million D) $2.5 billion
Answer: (A) – $10{,}000 \times 50 \times \$2{,}500 = \$1{,}250{,}000{,}000$.

Q12 [Apply]. A tokenized Treasury fund holds $1M in tokens paying 5% annual yield. What is the quarterly payment?
A) $50,000 B) $12,500 C) $25,000 D) $5,000

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Answer: (B) – $\$1{,}000{,}000 \times 0.05/4 = \$12{,}500$ per quarter.

Q13 [Analyze]. Why did creator royalty enforcement collapse in 2022–2023?
A) Ethereum removed royalty support in a protocol upgrade B) Creators voluntarily reduced royalties
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Answer: (C) – Blur gained share with zero-royalty trading; OpenSea followed to compete, destroying the voluntary enforcement norm.

Q14 [Analyze]. What structural flaw caused Axie Infinity's play-to-earn economic collapse?
A) The game was poorly designed B) Token rewards depended on continuously growing player base rather than productive economic activity
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Q15 [Analyze]. Why is on-chain storage more permanent but less practical than IPFS for NFT images?
A) On-chain storage is faster B) IPFS does not support images
C) On-chain storage is free D) Storing large images on-chain costs thousands of dollars in gas fees

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Answer: (D) – Ethereum storage costs $\approx$$20,000–$40,000 per MB, making full image storage impractical.

Quiz: Questions 16–20

Analyze / Evaluate

Q16 [Analyze]. Why are institutions tokenizing Treasury bills before real estate?
A) Treasury bills have simpler legal structures, are fungible, and have clearer regulatory frameworks
B) Real estate is not valuable enough to tokenize C) Treasury bills generate higher returns D) Real estate cannot be divided into fractions

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Answer: (A) – Treasuries are simpler to structure legally with well-understood regulatory treatment, reducing compliance risk.

Q17 [Analyze]. NFT trading volume crashed 90% from its 2022 peak. Does this mean NFT technology failed?
A) Yes, the crash proves NFTs have no value B) Yes, because trading volume equals technology success
C) No – speculation collapsed but the technology continues to power utility and RWA applications D) No, because the crash was caused by regulation

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Answer: (C) – The speculative bubble burst, but NFT infrastructure expanded into RWA tokenization and digital identity.

Q18 [Analyze]. If an NFT points to metadata on IPFS and no one pins it, what is the long-term outcome?
A) The NFT is automatically destroyed B) The metadata becomes unretrievable; the token persists but points to nothing
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Answer: (B) – Unpinned IPFS content is eventually garbage-collected, leaving the token orphaned.

Q19 [Evaluate]. A new NFT project promises 20% APY from resale royalties, has an anonymous team, and stores metadata on a personal server. Is this a sound investment?
A) Yes, because 20% APY is attractive B) Yes, if the art is good C) Maybe, depending on community size D) No – it fails on storage permanence, team transparency, and yield sustainability

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Answer: (D) – Centralized storage risks loss, anonymous team risks rug pull, royalty-based yield is unsustainable given marketplace competition.

Q20 [Evaluate]. A company tokenizes commercial real estate. Token holders receive fractional rental income but no legal equity stake. Should regulators classify this as a security?
A) No, because it is a utility token B) Yes – it meets the Howey test: investment in a common enterprise with profit expectation from others' efforts
C) No, because real estate is not a financial instrument D) Only if the token is traded on an exchange

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Answer: (B) – Investors commit capital expecting profits from the property manager's efforts, satisfying all four Howey prongs.