Tokenomics

Module Quiz – 20 Multiple-Choice Questions

Topics covered: Token types · Supply models · Value accrual · Velocity (MV=PQ) · Distribution & vesting · Classification & valuation

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 is tokenomics?
A) The price history of cryptocurrencies B) The study of economic systems governing token creation, distribution, and management
C) A method for mining Bitcoin D) The process of creating NFTs

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A) The price history of cryptocurrencies B) The study of economic systems governing token creation, distribution, and management
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Answer: (B) – Tokenomics covers supply, distribution, incentives, and value accrual mechanisms that govern a token's economy.

Q2 [Understand]. Which token type provides voting rights on protocol changes?
A) Utility tokens B) Security tokens
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Answer: (D) – Governance tokens (e.g., UNI, AAVE) enable decentralized decision-making via on-chain voting.

Q3 [Apply]. Bitcoin has a maximum supply of 21 million and halves issuance every $\approx$4 years. What supply model is this?
A) Inflationary B) Fixed with decreasing emission
C) Deflationary D) Algorithmic

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Answer: (B) – Bitcoin uses a fixed hard cap with block-reward halving every 210,000 blocks, producing decreasing emission.

Q4 [Understand]. Which of these is a "token sink" that removes tokens from circulation?
A) Block rewards B) Airdrops
C) Liquidity mining D) Transaction fee burns

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Answer: (D) – Fee burns permanently destroy tokens, reducing circulating supply (e.g., EIP-1559 base-fee burn on Ethereum).

Q5 [Apply]. A DeFi protocol distributes 30% of trading fees to token holders. This is an example of:
A) Token burning B) Liquidity mining
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Answer: (C) – Fee distribution shares protocol revenue directly with holders (e.g., GMX), creating a tangible cash-flow incentive.

Quiz: Questions 6–10

Apply / Analyze

Q6 [Apply]. Using MV=PQ: supply (M)=200M, velocity (V)=5, transaction volume (Q)=$400M/year. What is the implied token price?
A) $0.20 B) $0.40 C) $2.00 D) $4.00

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Q7 [Apply]. A protocol introduces staking with 2-year lock-ups. This primarily affects which variable in MV=PQ?
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Q8 [Analyze]. Why does high token velocity suppress token price, all else equal?
A) Because more tokens are created B) Because tokens change hands quickly, reducing scarcity
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Answer: (B) – When tokens flow rapidly through the economy without being held, there is no scarcity premium; MV=PQ shows P falls as V rises.

Q9 [Apply]. An ERC-20 token has 40% team allocation with no cliff and no vesting. How many red flags from the 8-warning-sign checklist does this trigger?
A) 0 B) 1 C) 2 D) 3

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Answer: (C) – Two red flags: (1) insider allocation exceeds the 30% guideline; (2) no cliff or vesting period signals low commitment.

Q10 [Analyze]. Ethereum became net deflationary after the Merge (Sept 2022). Which TWO mechanisms caused this?
A) Halving + airdrops B) EIP-1559 base-fee burns + ≈90% issuance reduction from PoS
C) Staking + governance voting D) Token burns + liquidity mining

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Answer: (B) – EIP-1559 burns the base fee; the Merge cut new issuance by $\approx$90%, so burns routinely exceed new supply.

Quiz: Questions 11–15

Apply / Analyze

Q11 [Apply]. A vesting schedule shows 0% unlocked for 12 months, then linear release to 100% at month 48. What is the cliff period?
A) 0 months B) 6 months C) 12 months D) 48 months

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Answer: (C) – The cliff is the initial period where zero tokens unlock; here that is 12 months before linear vesting begins.

Q12 [Analyze]. Solana's token allocation was ≈48% insiders at launch. What risk does this create?
A) Above typical; creates centralization and sell-pressure risk B) Below typical; insufficient team incentive
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Answer: (A) – 48% insider ownership is well above the 20% team-allocation guideline, concentrating power and creating dump risk.

Q13 [Apply]. NVT Ratio = Market Cap ÷ Daily Transaction Volume. BTC market cap = $1.3T, daily tx volume = $15B. What is NVT?
A) ≈87 B) ≈15 C) ≈130 D) ≈8.7

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Answer: (A) – NVT = 1,300B/15B ≈ 87. A high NVT suggests network value is driven by store-of-value, not throughput.

Q14 [Analyze]. A token has Market Cap = $500M and Fully Diluted Valuation (FDV) = $2B. What does this gap indicate?
A) The token is undervalued B) 75% of tokens are still locked, creating future dilution risk
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Answer: (B) – FDV/MCap = 4× means only 25% of tokens circulate; as the remaining 75% vest, supply increases and can pressure price.

Q15 [Apply]. According to the Howey Test, which criterion asks whether profits depend on the work of a third party?
A) Investment of money B) Common enterprise
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Answer: (D) – The "efforts of others" prong separates passive investment (security) from active use (utility); it is often the decisive criterion for tokens.

Quiz: Questions 16–20

Analyze / Evaluate

Q16 [Analyze]. BTC scores 1/4 on the Howey Test (only "expectation of profits"). Why is it NOT classified as a security?
A) It is too expensive to regulate B) It fails 3 of 4 Howey criteria: no investment contract, no common enterprise, no reliance on others' efforts
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Q17 [Analyze]. Compare MiCA (EU) and the SEC (US) approach to crypto regulation. What is the key difference?
A) MiCA is stricter on all dimensions B) MiCA uses a legislation-first approach; the SEC clarifies rules through enforcement actions
C) The SEC allows all tokens; MiCA bans them D) There is no meaningful difference between the two frameworks

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Q18 [Analyze]. Terra/Luna lost ≈$40B in May 2022. What was the root cause?
A) A hack of the Terra blockchain B) A government ban on stablecoins
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Q19 [Evaluate]. A new DeFi protocol proposes 50% team allocation, no vesting, and 200% APY staking rewards. Using the 6-Question Framework, what is your assessment?
A) Strong investment: high APY maximises returns B) Tokenomics are fundamentally unsound: excessive insiders, no commitment, unsustainable yield
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Q20 [Evaluate]. Which combination of tokenomics features is MOST likely to be sustainable long-term?
A) 100% airdrop distribution, no burns, no governance B) 50% team allocation, instant unlock, 500% APY
C) Multiple value accrual mechanisms (fees + burns + staking), 4-year vesting, $<20\%$ team, clear utility D) Fixed supply only, no staking, no governance, no utility

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Answer: (C) – Sustainable tokenomics combine diversified value accrual, long-term commitment signals via vesting, fair distribution, and genuine on-chain utility.