

**FINANCE CERTIFICATION PREPARATION  
AND “TEACHING TO THE TEST”– THE NASD SERIES 7  
GENERAL SECURITIES REGISTERED REPRESENTATIVE  
EXAMINATION**

David Fehr<sup>1</sup>

*Director, Center for Financial Studies  
Associate Professor of Finance/Economics  
Southern New Hampshire University*

Working Paper No. 2007-01

© 2007 David W. Fehr

KEY WORDS: Series 7, University/Corporate Cooperation, Teaching to the Test

---

<sup>1</sup> Please direct all inquiries to David Fehr, Southern New Hampshire University, School of Business, 2500 North River Road, Manchester, NH 03106-1045; 603-644-3197 (tel); 603-645-9737 (fax); [d.fehr@snhu.edu](mailto:d.fehr@snhu.edu) (email).

NOTE: A revised version of this paper is forthcoming in *Journal of Economics and Finance Education*, 7 (1).

# ABSTRACT

## **FINANCE CERTIFICATION PREPARATION AND “TEACHING TO THE TEST”– THE NASD SERIES 7 GENERAL SECURITIES REGISTERED REPRESENTATIVE EXAMINATION**

David Fehr

*Director, Center for Financial Studies  
Associate Professor of Economics/Finance  
Southern New Hampshire University*

This paper addresses two aspects of offering finance certification training programs at the university level. During the spring term 2006, Southern New Hampshire University offered (in conjunction with a large, diversified financial services company) a finance elective course to prepare students to sit for the NASD Series 7 General Securities Registered Representative Examination. Firstly, the paper provides the background on developing a specialized academic course working in cooperation with a corporate entity. Secondly, the paper explores the academic ramifications of delivering the course in a “teaching to the test” format instead of a more typical academic course delivery.

# **FINANCE CERTIFICATION PREPARATION AND “TEACHING TO THE TEST”– THE NASD SERIES 7 GENERAL SECURITIES REGISTERED REPRESENTATIVE EXAMINATION**

## **I. INTRODUCTION**

The purpose of this paper is to review a novel corporate/university cooperation that was established to prepare university students to sit for the National Association of Securities Dealers (NASD) Series 7 General Securities Registered Representative Examination.

The project took place at the Southern New Hampshire University (SNHU) School of Business in conjunction with a large, diversified financial services company. The impetus for the program came from the financial services company, which was keen to develop a highly qualified pool of potential employees. A second purpose of the paper is to discuss aspects of structuring the course to maximize the probability of passing the exam, so called “teaching to the test”.

The Series 7 certification is required for many jobs in the financial services/brokerage industry, primarily those positions making investment recommendations to customers and handling customer accounts. The examination itself must be completed within six hours and is made up of 250 multiple-choice questions. The exam consists of two three hour sessions, each containing 125 questions (plus 5 additional questions to be considered for future exams in each session). In order to pass the examination, the candidate must score 70%. Topics that are covered in the exam, along with their emphasis are presented in Table 1 (see Fleur (2005a)):

**TABLE 1**

<b>TOPIC</b>	<b>NUMBER OF QUESTIONS</b>	<b>PERCENT WEIGHTING</b>
Equity Securities	10	4%
Debt Securities	50	20%
Options	40	16%
Trading Markets	20	8%
Customer Accounts	25	10%
New Issues	15	6%
Investment Companies	20	8%
Taxes and Tax Shelters	15	6%
Regulations	40	16%
Analysis	15	6%
<b>Total</b>	<b>250</b>	<b>100%</b>

Typically, candidates for the examination are trained either directly by the sponsoring financial services company or via self-study. Corporate training programs can run to several hundred hours of study time and instruction. In many cases, the candidate is hired by the financial services company prior to the exam preparation and is usually on the payroll during the exam preparation program. As such, there could be a considerable cost savings to the corporation if employees came to the firm with eligibility for the Series 7 credential in hand.

Section II provides a background on our university/corporate relationship, including a description of the necessary developmental work at the university that was required to

prepare for a Series 7 course offering. The course was offered for the first time during our spring 2006, academic term with a prime objective to prepare students to write the Series 7 exam upon completion of the course. The financial services company generously agreed to provide its own corporate trainers to act as visiting instructors for our first offering of the course. There is no doubt that the orientation of the visiting facilitators was to prepare the students to successfully write the NASD exam. While the course covered a wide range of viable academic topics, the tenor of the course was certainly geared to “teaching to the test”. Further, while there is no doubt that there was sufficient academic content to award university credits for this course, the classroom work was somewhat different in character than our typical finance course offering.

Section III reviews recent literature on the costs and benefits of teaching to the test approaches. Most of the existing work on this topic relates to the secondary school setting, for which the issue has become highly controversial with the increasing reliance on “high stakes” testing and the recent No Child Left Behind Act of 2001 (Public Law 107-110). Section IV extends this discussion to the university level, treating our Series 7 course as a case example.

## II. BACKGROUND

In early 2005, the School of Business at SNHU was approached by a large, diversified financial services company to determine if SNHU might be interested in offering a Series 7 course to existing university students. The company has a major facility nearby and would be very interested in interviewing graduates from such a course for permanent employment. The School of Business and the company had worked together successfully

on various projects prior to 2005, so both sides came to the discussion with a positive attitude. The firm has an ongoing need for employees with the Series 7 credential and was interested in working with us to develop a pool of qualified, potential employees. SNHU viewed the opportunity as a chance to solidify a strong relationship with a premier corporation in our area, as well as to provide a unique opportunity for our students interested in pursuing careers in the financial services industry.

It was decided that, during the remainder of calendar year 2005, SNHU would undertake developmental work with the intention of offering a for-credit course during our spring 2006, academic term. Elements of the work plan included:

1. Establishing the academic content for the course;
2. Receiving permission from the Curriculum Committee to offer the course;
3. Developing course materials and teaching strategies;
4. Working with the state Securities Bureau to sponsor our students for the NASD Series 7 examination;
5. Publicizing this special opportunity to our students;
6. Determining how the financial services company would participate in the project.

Let us address each component in turn.

1. **Establishing the academic content for the course:** It was a relatively easy task to determine that there would be sufficient academic content to justify a for-credit course. As presented in Table 1, topics to be covered ranged from institutional matters (e.g., securities regulations and appropriate procedures in handling customer accounts) to more standard academic finance subjects (e.g., option

trading strategies and yield-to-maturity manipulations). The financial services firm recommended a two-volume textbook running to approximately 700 pages, along with ancillaries including a financial glossary and practice tests in various formats. While we might have chosen to emphasize some different concepts, overall we were quite satisfied with the proposed text. In fact, we determined that the material would justify a six credit course with two 2 ½ hour class meetings per week over our 15 week term.

**2. Receiving permission from the Curriculum Committee to offer the course:**

The School of Business curriculum committee was very supportive of our proposal. The committee agreed that the course subject matter was appropriate, and quickly moved to an evaluation of our six credit proposal. In the end, the volume of material to be covered convinced the committee to approve a six credit course. Furthermore, the committee made the course available to both undergraduate and graduate students under a “common offering” format, in which both undergraduates and graduate students are in the same class. To warrant graduate credits, graduate students would have additional course deliverables such as special project work and/or preparation of review materials.

**3. Developing course materials and teaching strategies:** We decided to work very closely with the corporate trainers in the initial delivery of the course. For the first pilot offering of the course, the corporate facilitators delivered the classes under the supervision of an SNHU faculty member. The corporate trainers were seasoned professionals who had delivered Series 7 training course in-house many

times. In addition to providing our students with a very polished course from day one, we invited several SNHU faculty members to take the course as a training seminar to prepare them to teach future offerings of the course. The supervising faculty member took responsibility for examinations, grading and all logistical matters for the course.

Since the actual NASD Series 7 exam naturally would be taken after the completion of the course, performance on the actual exam would have no bearing on the course requirements and/or the course grade. In fact, we had no control as to whether students would even decide to sit for the exam. We, of course, strongly encouraged our students to write the exam as soon as practical after the completion of the course.

4. **Working with the state Securities Bureau to sponsor our students for the NASD Series 7 examination:** Normally, Series 7 test takers must be employees of and sponsored by a registered broker/dealer. If the intent is for students to write the examination upon completion of the course (ideally within a few days while the material is still fresh), it is unlikely that they would be employees of a broker/dealer at that point in time. To solve this conundrum, we worked directly with the state Securities Bureau. We established a protocol with the Securities Bureau under which the student would write the exam with state sponsorship. For students who passed the exam, the Bureau would “warehouse” the certification for up to two years. If the student then took employment with a registered broker/dealer within the two year window, the broker/dealer could activate the

warehoused certification on behalf of the new employee and the employee would immediately become Series 7 licensed.

In order to be sponsored by the Securities Bureau, the student simply made a written application and paid a nominal fee to cover the administrative costs of the required state police criminal background check.

5. **Publicizing this special opportunity to our students:** By our fall, 2005, academic term, the necessary administrative work had been completed, so that we were confident in posting the course on our spring, 2006 course calendar. During fall 2005, we made a concerted effort to inform potential students about Series 7 certification and about the upcoming course. To that end, we scheduled several information sessions during the fall term. Students had to be educated on Series 7 and its applicability to the financial services industry. We also worked to make an accurate representation of the workload that would be required for the course. Experts have recommended that candidates for the examination study at least 150-160 hours to prepare. Our course would consist of approximately 70-75 hours, so students would want to self-study upwards of 100 additional hours over the 15 week term. Students would need to make a realistic assessment of their availability of the additional hours given their course work, part-time jobs, internships and other extra curricular activities.
6. **Determining how the financial services company would participate in the project:** In addition to providing facilitators for our course, the firm agreed to

provide course materials (valued at \$325) to each student enrolled in the course. SNHU viewed this offer as a very positive commitment to the project on the part of the corporation. Furthermore, the company committed to offer employment interviews and employment consideration to students registered in the course.

### III. LITERATURE REVIEW

Much research has been conducted regarding aspects of “teaching to the test” in conjunction with the high stakes testing that is increasingly required in many secondary school jurisdictions. The issue has become even more topical with the recent No Child Left Behind legislation. Academic studies have ranged from documenting the existence of teaching to the test, to evaluating the consequences of doing so, to alternative procedures. While the secondary school setting surely differs from our financial certification preparation at the university level, it will be instructive to present related elements of the secondary school based literature. Recall that it is not our purpose to evaluate whether teaching to the test is the optimal method in preparing students to pass the NASD Series 7 examination. Our primary focus is to explore whether and/or how the learning opportunity is compromised or non-maximized with the approach.

From the point of view of maximizing the academic content for students, Kober (2002) suggests that “any form of teaching to the test is inappropriate if it raises test scores without also increasing students’ knowledge and skills in the broader subject being tested”. Kober’s suggestion would appear to be a useful metric for university course work for which academic credit is earned. Kober herself goes on to explore circumstances under which teaching to the test would likely be inappropriate under her

criterion. Her concerns can be grouped into the teaching of (1) test-taking skills and (2) test-taking preparation. She argues that the drilling of the following test-taking skills would almost surely not be in the academic interests of the students:

- Practice on questions that have appeared on previous exams, are likely to appear, or that the instructor knows will appear;
- Instruction and practice on how to navigate the test form;
- Test-taking tricks including how to “narrow down choices in multiple-choice questions”; Seeley (2006) includes the use of clue words and mnemonics; and
- Exam time management.

Clearly, all of the above use classroom contact time for activities that are unlikely to emphasize the academic content of the subject matter. Test preparation strategies include:

- Over-emphasis on topics that have appeared on previous exams; and
- Over-emphasis on topics that lend themselves to testing under the particular testing format – in the case of the Series 7 exam, subject matter that is likely to be tested in a multiple-choice format.

These and other test preparation approaches necessarily limit the opportunities to study non-tested concepts in appropriate detail.

Further, Sacks (2000) has shown that over reliance on teaching to the test can skew the preparation of teaching materials throughout the entire curriculum. Teaching materials such as student exercises, instructional and assessment templates, and other instructional ancillaries are often developed specifically to support strong test scores. Taking a similar position, Herman (1992) argues that teaching materials so designed often concentrate on only the most elementary aspects of the subject. Posner (2006) supports this view by arguing that only basic concepts can be included on standardized tests because only a very short time is typically allocated for each question and because possible answer choices will be limited in scope and unable to address nuances of the materials covered. Popham (2000, 2001) reinforces the same points while concentrating on the deleterious effects of so-called item teaching, the over exposure of topics likely to appear on the test.

Neil (2003) goes a step further to argue that it is entirely possible that the understanding of even the basic skills that are taught directly in the test preparation may be substandard. The argument is that the presentation of this basic material using curriculum materials designed solely to maximize test scores can dilute the understanding of these topics. Consequently, not only are the advanced topics likely to be short changed under a teaching to the test approach (because these topics are deemphasized), but base level understanding is not as comprehensive as it might be (because the test preparation tactics may not be optimal for learning).

Bond (2006), Kober (2002) and others point out that teaching to the test is much more dangerous if the actual test is a sample of the relevant subject matter as opposed to an exhaustive assessment of the material. For example, Bond argues that teaching specific finger exercises and keystrokes in a typing course is likely to be totally appropriate, as any typing skills assessment will almost surely include virtually all combinations and permutations of keystrokes. Clearly, under circumstances where we teach to a subset of the course material corresponding to the tested sample, we will have under trained in the omitted material and the test will be a poor vehicle to assess knowledge of the entire subject matter.

#### IV. NASD SERIES 7 COURSE AT SNHU

It is fair to argue that each of the issues discussed in the previous section has arisen in our Series 7 course at SNHU. The corporate facilitators clearly taught to the test, and they knowingly do so in their in-house training programs as well. They have pointed out to us that most employees will normally only use a small subset of the tested material directly in their day-to-day activities, so the actual test itself is viewed as much as a required hurdle as an assessment tool. Additionally, they have confidence that their approach teaches important foundation skills over a large volume of material rapidly and efficiently. Further, the corporation made it very clear that it does not tolerate any effort to violate the integrity of the examination process.

Our facilitators did drill our class on test taking mnemonics, multiple-choice test taking strategies and the like. It was pointed out which chapters in the textbook required

mastery, and which chapters could be deemphasized. In the spirit of keeping the course “on pace”, interesting ancillary topics were not typically be explored in test preparation class to the fullest because the topic was, as the facilitator responded, “not tested”. Many times these related issues were raised by students, and in these cases, our faculty present took the opportunity to augment the class discussions to supplement instruction provided by the facilitator. In that vein, our students did clearly perceive a difference in the teaching/classroom environment for this Series 7 course versus our typical finance course. However, since virtually all of the students were keen to pass the Series 7 exam immediately after the course, the students were highly tolerant of this non-standard teaching approach. Our students realized the huge advantage of having the Series 7 certification as a vita line item, and were virtually unanimous in embracing a test preparation course. Our faculty very much appreciated the single-mindedness of the corporate facilitators in maintaining pace and content coverage.

At SNHU, we have concluded that offering the Series 7 test preparation course for academic credit is appropriate. While the coverage of certain topics may be less in-depth than ideal (although finance/economics students would certainly see additional coverage of these topics in related courses), the breadth of the material is quite impressive. Furthermore, there is considerable practical institutional detail that is unavailable to our students via our other finance course offerings. For example, coverage of the handling of customer accounts, self-regulatory organization rules, municipal bond topics and capital market structure are particularly comprehensive and provide high value added for students looking to employment in the financial services industry. Clearly, the amount of

content in our Series 7 course equals or exceeds the content in two of our standard three credit courses.

One aspect of Series 7 project gives us pause. Our typical undergraduate carries five courses per term (of which the Series 7 would count for two) and may hold either an internship and/or part-time job, with the internship or the job requiring up to twenty hours per week each. Given the study regimen required for Series 7, it is reasonable to ask whether the typical student has adequate time to do justice to all of his/her activities. Additionally, the Series 7 material is sufficiently cumulative and extensive, so that even a slight drop in study intensity can have serious ramifications for student progress. In our pilot offering, we did have students who fell behind and were never able to recover fully. We also had students who committed fully to the course but short changed their work in other courses. Note that a typical self-study program or an in house corporate program is usually a very intensive program delivered in a more compressed (much shorter than a 15 week term) timeframe. In addition, the corporate candidate is often able to commit a majority of working hours to preparation, particularly near the actual test date. At SNHU, we will plan to address this issue with more detailed advising and planning (e.g., make your Series 7 semester a semester with a lighter load and fewer other outside commitments) and a willingness to compress the format for the course. Our plan is to continue to offer the program on a semester basis, use our own faculty to teach the course, and re-evaluate format after a few more offerings. Based on the success of our pilot offering, the financial services company has agreed to continue to provide course materials to all students and to actively recruit course graduates.

## BIBLIOGRAPHY

Bond, L. (2006). Teaching to the Test. *Carnegie Perspectives*, The Carnegie Foundation for the Advancement of Teaching.

Bristol, K., Fehr, D. & Tripp, G. (2003). Using an Academic Trading Room to Enhance Economics Literacy Training. *Southern New Hampshire University Center for Financial Studies Working Paper # 2003-06*.

Bushweller, K. (1997). Teaching to the Test. *The American School Board Journal*, National School Boards Association.

Fleur, E. (2005a). *Registered Representative Series 7 Study Program, Volume I*, Edward Fleur Financial Education Corp.

Fleur, E. (2005b). *Registered Representative Series 7 Study Program, Volume II*, Edward Fleur Financial Education Corp.

Fleur, E. (2005c). *Series 7 Glossary*, Edward Fleur Financial Education Corp.

Fleur, E. (2005d). *Chapter Exams - Registered Representative Series 7 Study Program*, Edward Fleur Financial Education Corp.

Fleur, E. (2005e). *Final Exams - Registered Representative Series 7 Study Program*, Edward Fleur Financial Education Corp.

Herman, J. (1992). Accountability and Alternative Assessment: Research and Development Issues. *CSE Technical Report 348*, National Center for Research on Evaluation, Standards, and Student Testing.

Kober, N. (2002). Teaching to the Test – The Good, the Bad, and Who’s Responsible. *TESTALK for Leaders*, Issue 1.

Neil, M. (2003). High stakes, high risk: The dangerous consequences of high-stakes testing. *The American School Board Journal*, 190, pg. 18-21.

Popham, W. (2001). Teaching to the test. *Educational Leadership*, 58, pg. 16-20.

Popham, W. (2000). The Mismeasurement of Educational Quality. *School Administrator*, 57, pg. 6-9.

Posner, D. (2004). What’s Wrong with Teaching to the Test?. *Phi Delta Kappan*, 18, no. 10, pg. 749-751.

Sacks, P. (2000). Predictable Losers in Testing Schemes. *School Administrator*, 57, pg. 6-9.

Seeley, C. (2006). Teaching to the Test. *NCTM News Bulletin*, The National Council of Teachers of Mathematics.

Volante, L. (2004). Teaching to the Test: What Every Educator and Policy-Maker Should Know. *Canadian Journal of Educational Administration and Policy*, 35.