



UNITED STATES AND EXCHANGE COMMISSION Washington, D.C. 20549

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OMB APPROVAL OMB Number: 3235-0123 Expires: October 31, 2004 Estimated average burden hours per response... 12.00

SECURITIES AND EXCHANGE COMMISSION RECEIVED MAY 12 2003

ANNUAL AUDITED REPORT FORM X-17A-5 PART III

SEC FILE NUMBER 8-20438

DIVISION OF MARKET REGULATION

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/02 AND ENDING 12/31/02 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: THE MERCHANTHOUSE SECURITIES, INC.

OFFICIAL USE ONLY FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

7700 CANTERBURY ST. PRAIRIE VILLAGE, KS 66208

(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT ALLAN EDWARD ABRAMS

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Marvin Birnbaum

(Name - if individual, state last, first, middle name)

7050 West 107th Street Suite 202 Overland Park Kansas 66212

(Address) (City) (State) (Zip Code)

CHECK ONE:

- [x] Certified Public Accountant [] Public Accountant [] Accountant not resident in United States or any of its possessions.

PROCESSED JUN 12 2003

FOR OFFICIAL USE ONLY THOMSON FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, Allan Abrams, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of The Merchant House Securities, Inc., as of 12/31/02, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

n/a

Allan G. Abrams
Signature

State of Kansas
Johnson County

President
Title



Sandy Johnson
Notary Public

2/11/03

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

THE MERCHANTHOUSE SECURITIES, INC.

Report on Examination of Financial Statements

FOR THE YEAR ENDING DECEMBER 31, 2002

MARVIN A. BIRNBAUM
Certified Public Accountant
10500 Barkley, Suite 108
Overland Park, KS 66212
(913) 648-3195

INDEPENDENT AUDITORS' REPORT

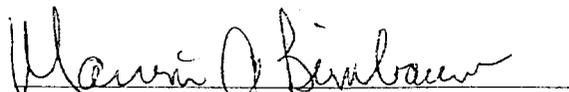
The MerchantHouse Securities, Inc.
Attn: Mr. Allan Abrams
7700 Canterbury St.
Prairie Village, KS 66208

Dear Mr. Abrams:

We have audited the accompanying statements of financial condition of The MerchantHouse Securities, Inc. as of December 31, 2002, and related statements of income, changes in financial condition, changes in stockholders equity, changes in liabilities subordinated to claims of creditors, net capital computation, and the other attached and required items of computations, reconciliations, and reports, for the year then ended. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to present fairly, in all material respects, the financial position of The MerchantHouse Securities, Inc. as of December 31, 2002, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.


Marvin A. Birnbaum
Certified Public Accountant

January 26, 2002

THE MERCHANTHOUSE SECURITIES, INC.
FOR THE YEAR ENDED DECEMBER 31, 2002

(b) STATEMENT OF FINANCIAL CONDITION

Assets

Current Assets

Cash \$ 6,721

Total \$ 6,721

Liabilities and Stockholders Equity

Liabilities \$ 0

Stockholders Equity \$ 6,721

(c) STATEMENT OF INCOME

Revenues

Fees/Profits from Underwriting, etc. \$15,000

Revenue from investment co. shares 13,405

Interest received 38

Total Revenue \$28,443

Expenses

Officer salaries \$10,221

Other employee compensation/commissions paid 15,918

Regulatory fees 1,800

Total Expenses \$27,939

Net income (loss) \$ 504

(d) STATEMENT OF CASH FLOWS

Cash, January 1, 2002 \$ 6,217

Net income (loss) 504

Cash, December 31, 2002 \$ 6,721

(e) STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

Stockholders Equity at beginning of year \$ 6,271

Net income (loss) 504

Stockholders equity at end of year \$ 6,721

(f) STATEMENT OF CHANGES IN LIABILITIES SUBORDINATE TO CLAIMS OF CREDITORS

Notes payable, subordinated to creditors on 1/1/99 none

Changes during the period none

Notes payable, subordinated to creditors on 12/31/99 none

(g) COMPUTATION OF NET CAPITAL

Total ownership equity-qualified for net capital \$ 6,721

Less: 0

Net Capital \$ 6,721

EXCESS NET CAPITAL

Net Capital \$ 6,721

Less: Minimum net capital requirement of B/d 5,000

Excess Net Capital \$ 1,721

THE MERCHANTHOUSE SECURITIES, INC.
FOR THE YEAR ENDED DECEMBER 31, 2002

- (h) COMPUTATION FOR DETERMINATION OF THE RESERVE REQUIREMENT PURSUANT TO RULE 15c3-3
Broker/dealer exempted under Rule 15c3-3(k)(2)(ii)
- (i) INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS UNDER RULE 15c3-3
Broker/dealer exempted under Rule 15c3-3(k)(2)(ii)
- (j) RECONCILIATION OF THE COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 AND DETERMINATION OF THE RESERVE REQUIREMENTS UNDER EXHIBIT A OF RULE 15c3-3
Broker/dealer exempted under Rule 15c3-3(k)(2)(ii)
- (k) RECONCILIATION [PURSUANT TO RULE 17a-5(d)(4)] OF AUDITED AND UNAUDITED STATEMENTS
There are no differences between the amounts indicated in the audited report and the amounts indicated in the firm's unaudited Form X-17a-5 filed with the NASD for the quarter ending December 31, 2002.
- (n) MATERIAL INADEQUACIES REPORT
No material inadequacies have been found to exist since the date of the previous audit.