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

SEC FILE NUMBER
8- 23314

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 /06 AND ENDING 12 '31 /06  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: QUANTITATIVE ANALYSIS SERVICE, INC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

95 CHRISTOPHER COLUMBUS DRIVE FLOOR 12A

(No. and Street)

JERSEY CITY

(City)

NJ

(State)

07302

(Zip Code)

PROCESSED

E MAR 15 2007

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

JING WU

(201) 432-7900  
(Area Code - Telephone Number)

THOMSON  
FINANCIAL

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

SANFORD BECKER & CO , PC

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

1430 BROADWAY

(Address)

6TH FLOOR

NEW YORK

(City)

NY

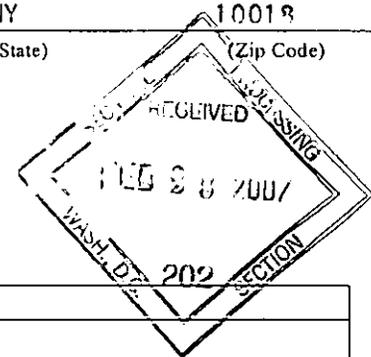
(State)

10013

(Zip Code)

CHECK ONE:

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



**FOR OFFICIAL USE ONLY**

\*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)

SEC 1410 (06-02)

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MM

OATH OR AFFIRMATION

I, HIROTSUGU SAKATA, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of QUANTITATIVE ANALYSIS SERVICE, INC, as of DECEMBER 31, 2006, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

MARY ELISE WILSON  
NOTARY PUBLIC OF NEW JERSEY  
Commission Expires 3/27/2008

Mary Elise Wilson 2/21/07  
Notary Public

Hirotsugu Sakata  
Signature  
Executive VP  
Title

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~~. Cash Flows
  - (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 15c3-1 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.
  - (o) Reconciliation between audited and unaudited computation of Net Capital under
- \*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3). Part IIA filing

QUANTITATIVE ANALYSIS SERVICE, INC.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
ON PART IIA OF FORM X-17A-5

YEAR ENDED DECEMBER 31, 2006

QUANTITATIVE ANALYSIS SERVICE, INC.

December 31, 2006

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SANFORD BECKER & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

RICHARD S. BECKER, C.P.A.  
SANFORD E. BECKER, C.P.A.  
GEORGE S. GETZ, C.P.A.

SANFORD BECKER, C.P.A. 1922-1994

1430 BROADWAY  
NEW YORK, N.Y. 10018  
TELEPHONE - (212) 921 - 9000  
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Quantitative Analysis Service, Inc.

We have audited the accompanying statement of financial condition of Quantitative Analysis Service, Inc. as of December 31, 2006 and the related statements of income, changes in stockholders' equity and cash flows for the year then ended, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 above present fairly, in all material respects, the financial position of Quantitative Analysis Service, Inc. as of December 31, 2006 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the schedules listed on the accompanying index is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

New York, New York  
February 14, 2007



# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

QUANTITATIVE ANALYSIS SERVICE, INC

N3

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### STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY) 12/31/06 99  
 SEC FILE NO. R 23314 98  
 Consolidated  198  
 Unconsolidated  199

	Allowable	Non-Allowable	Total
1. Cash .....	\$ 1,126,637 200		\$ 1,126,637 750
2. Receivables from brokers or dealers:			
A. Clearance account .....	295		
B. Other .....	14,974 300	550	14,974 810
3. Receivable from non-customers .....	40,881 355	79,608 600	120,499 830
4. Securities and spot commodities owned at market value:			
A. Exempted securities .....	1,119 418		
B. Debt securities .....	500,000 419		
C. Options .....	420		
D. Other securities .....	30,790 424		
E. Spot commodities .....	430		531,909 850
5. Securities and/or other investments not readily marketable:			
A. At cost $\frac{1}{2}$ \$ .....	130		
B. At estimated fair value .....	440	610	860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:			
A. Exempted securities \$ .....	150		
B. Other securities \$ .....	160		
7. Secured demand notes: Market value of collateral:	470	640	890
A. Exempted securities \$ .....	170		
B. Other securities \$ .....	180		
8. Memberships in exchanges:			
A. Owned, at market \$ .....	190		
B. Owned, at cost .....		650	
C. Contributed for use of the company, at market value .....		660	900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships .....	480	670	910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization .....	490	680	920
11. Other assets .....	535	33,534 735	33,534 930
12. TOTAL ASSETS .....	\$ 1,714,401 540	\$ 113,142 740	\$ 1,827,543 940

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

QUANTITATIVE ANALYSIS SERVICE, INC

as of 12/31/06

### STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

#### LIABILITIES AND OWNERSHIP EQUITY

Liabilities	A.I. Liabilities	Non-A.I. Liabilities	Total
13. Bank loans payable .....	\$ 1045	\$ 1255 <sup>13</sup>	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account .....	1114	1315	1560
B. Other .....	1115 <sup>10</sup>	1305	1540
15. Payable to non-customers .....	1155	1355	1610
16. Securities sold not yet purchased, at market value .....		1360	1620
17. Accounts payable, accrued liabilities, expenses and other .....	209,897 1205	1385	209,897 1685
18. Notes and mortgages payable:			
A. Unsecured .....	158,090 1210		158,081 1690
B. Secured .....	1211 <sup>12</sup>	1390 <sup>14</sup>	1700
19. E. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings: .....		1400	1710
1. from outsiders <sup>7</sup> \$ .....	970		
2. includes equity subordination (15c3-1(d)) of ... \$ .....	980		
B. Securities borrowings, at market value from outsiders \$ .....	990	1410	1720
C. Pursuant to secured demand note collateral agreements .....		1420	1730
1. from outsiders \$ .....	1000		
2. includes equity subordination (15c3-1(d)) of ... \$ .....	1010		
D. Exchange memberships contributed for use of company, at market value .....		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes .....	1220	1440	1750
20. TOTAL LIABILITIES .....	\$ 367,977 1230	\$ 1450	\$ 367,978 1760
<b>Ownership Equity</b>			
21. Sole Proprietorship .....			1770 <sup>15</sup>
22. Partnership (limited partners) .....	1020 <sup>11</sup>		1780
23. Corporation:			
A. Preferred stock .....			1791
B. Common stock .....		168,403	1792
C. Additional paid-in capital .....		6,358	1793
D. Retained earnings .....		1,433,739	1794
E. Total .....		1,608,501	1795
F. Less capital stock in treasury .....		148,936 <sup>16</sup>	1796
24. TOTAL OWNERSHIP EQUITY .....		\$ 1,459,565	1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY .....		\$ 1,827,543	1810

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SEE NOTES TO FINANCIAL STATEMENTS  
PAGE 3

QUANTITATIVE ANALYSIS SERVICE, INC.  
STATEMENT OF INCOME  
YEAR ENDED DECEMBER 31, 2006

REVENUE

Commissions	\$	459,578
Fees		3,621,708
Dividends & Interest		73,161
Profit - (loss) Investment Securities		(4,393)
Miscellaneous		16,375
		<hr/>
	\$	4,166,429

EXPENSES

Dues and Fees	\$	21,952
Insurance		125,414
Business Promotion		52,623
General Expenses		416,585
Communications		227,701
Equipment		264,760
Fees		360,211
Salaries and Bonuses		2,485,462
Miscellaneous		6,417
Interest Expense		10,749
		<hr/>
	\$	3,971,874

NET INCOME (Note 2)	\$	<u>194,555</u>
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SEE NOTES TO FINANCIAL STATEMENTS

QUANTITATIVE ANALYSIS SERVICE, INC.  
 STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
 YEAR ENDED DECEMBER 31, 2006

	<u>COMMON STOCK</u>	<u>TREASURY STOCK</u>	<u>ADDITIONAL PAID-IN CAPITAL</u>	<u>RETAINED EARNINGS</u>	<u>TOTAL</u>
<u>BALANCE</u> at January 1, 2006	168,403	(148,936)	6,358	1,239,184	1,265,009
Add: Net Earnings				194,555	194,555
<u>BALANCE</u> at December 31, 2006	<u>168,403</u>	<u>(148,936)</u>	<u>6,358</u>	<u>1,433,739</u>	<u>1,459,564</u>

QUANTITATIVE ANALYSIS SERVICE, INC.  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED DECEMBER 31, 2006  
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating activities:	
Net Income	\$ 194,555
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Decrease in Accounts Receivable	
Increase in Accounts Payable and Accrued Expenses Payable:	
Increase in Other Assets	
Total Adjustments	<u>432,017</u>
Net Cash Provided By Operating Activities	626,572
Cash Flows from Investing Activities:	
Increase in Securities Owned	<u>495,659</u>
Net Cash Used in Investing Activities	<u>495,659</u>
Net Decrease in Cash and Cash Equivalents	130,913
Cash and Cash Equivalents at Beginning of Year	<u>1,257,550</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,388,463</u></u>
Supplemental Cash Flows Disclosures:	
Income Tax Payments	6,018.00
Interest Payments	10,749.00

For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

QUANTITATIVE ANALYSIS SERVICE, INC.  
NOTES TO FINANACIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

- 1) Summary of significant accounting policies:

Accounting for commission income is on a settlement date basis.

Securities owned are valued at market.

- 2) The corporation and shareholders have elected effective January 1, 1985 to be treated as a Subchapter S Corporation under applicable Federal and New Jersey State Law. Accordingly no provision has been made for Federal Corporation Income Tax.

- 3) Net Capital Requirements:

The corporation is subject to the uniform net capital rule (Rule 15C3-1) of the Securities and Exchange act of 1934, which requires the corporation to maintain a ratio of aggregate indebtedness to net capital as defined, not to exceed 15 to 1. At December 31, 2006 Quantitative Analysis Service, Inc. net capital was \$1,311,782 whereas the required net capital was \$50,000. The ratio of aggregate indebtedness to net capital was 27% compared to a maximum amount allowance of 1500%.

The corporation solicits and services customer accounts, which are introduced on a fully disclosed basis to Pershing LLC, Bear Stearns Securities Corp., and UBS Financial. The corporation's principal sources of revenue are commissions earned on customer accounts and management fees. The corporation does not hold customer's cash and/or securities and is exempt from the provision of SEC Rule 15C3-3 under sub-paragraph K (2)(b).

- 4) The corporation is exempt under Rule 15C3-3 since all customer transactions are cleared through another broker dealer on a fully disclosed basis. We have ascertained that the conditions of this exemption were being complied with as of December 31, 2006 and that no facts came to our attention to indicate that the exemption had not been complied with during this period.
- 5) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from these estimates. We do not consider any differences in these financial statements to be material.
- 6) The corporation maintains cash in bank accounts which, at times may exceed federally insured limits.
- 7) Quantitative Analysis Service, Inc. is obligated under the terms of a lease for its office space, storage and parking, dated January 7, 2002, expiring July 31, 2007. The yearly base rent is \$209,103.12.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

QUANTITATIVE ANALYSIS SERVICE, INC

as of 12/31/06

### COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition .....	\$	1,459,565	3480
2. Deduct ownership equity not allowable for Net Capital .....			3490
3. Total ownership equity qualified for Net Capital .....		1,459,565	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital .....			3520
B. Other (deductions) or allowable credits (List) .....			3525
5. Total capital and allowable subordinated liabilities .....	\$	1,459,565	3530
6. Deductions and/or charges:			
A. Total non-allowable assets from			
Statement of Financial Condition (Notes B and C) .....	17 \$	113,142	3540
B. Secured demand note delinquency .....			3590
C. Commodity futures contracts and spot commodities - proprietary capital charges .....			3600
D. Other deductions and/or charges .....			3610
7. Other additions and/or allowable credits (List) .....		( 113,142 )	3620
8. Net capital before haircuts on securities positions .....	20 \$	1,346,423	3640
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):			
A. Contractual securities commitments .....	\$		3660
B. Subordinated securities borrowings .....			3670
C. Trading and investment securities:			
1. Exempted securities .....	18	22	3735
2. Debt securities .....		30,000	3733
3. Options .....			3730
4. Other securities .....		4,619	3734
D. Undue Concentration .....			3650
E. Other (List) .....			3736
10. Net Capital .....	\$	1,311,782	3750

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

QUANTITATIVE ANALYSIS SERVICE, INC

as of 12/31/06

### COMPUTATION OF NET CAPITAL REQUIREMENT

**Part A**

11. Minimum net capital required (6 $\frac{2}{3}$ % of line 19) .....	\$	24,532	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	50,000	3758
13. Net capital requirement (greater of line 11 or 12) .....	\$	50,000	3760
14. Excess net capital (line 10 less 13) .....	\$	1,261,732	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19) .....	\$		3780

### COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition .....	\$	367,978	3790
17. Add:			
A. Drafts for immediate credit .....	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited .....	\$	3810	
C. Other unrecorded amounts (List) .....	\$	3820	3830
18. Total aggregate indebtedness .....	\$	367,978	3840
19. Percentage of aggregate indebtedness to net capital (line 18 ÷ by line 10) .....	%	27%	3850
20. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d) .....	%		3860

### COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

**Part B**

21. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits .....	\$	NOT APPLICABLE	3970
22. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$		3880
23. Net capital requirement (greater of line 21 or 22) .....	\$		3760
24. Excess capital (line 10 less 23) .....	\$		3910
25. Net capital in excess of the greater of:			
A. 5% of combined aggregate debit items or \$120,000 .....	\$		3920

**NOTES:**

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
  1. Minimum dollar net capital requirement, or
  2. 6 $\frac{2}{3}$ % of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER QUANTITATIVE ANALYSIS SERVICE, INC. as of 12/31/06

### EXEMPTIVE PROVISION UNDER RULE 15c3-3

24. If an exemption from Rule 15c3-1 is claimed, identify below the section upon which such exemption is based (check one only)

- A. (k)(1) — \$2,500 capital category as per Rule 15c3-1 ..... 4550
- B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained ..... 4560
- C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis.  
 Name of clearing firm<sup>30</sup> PERSHING LLC, BEAR STEARNS SEC CORP, UBS FIN. 4335  ..... 4570
- D. (k)(3) — Exempted by order of the Commission (include copy of letter) ..... 4580

**Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.**

Type of Proposed Withdrawal or Accrual (See below for code)	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)	
31	4600	4601	4602	4603	4604	4605
32	4610	4611	4612	4613	4614	4615
33	4620	4621	4622	4623	4624	4625
34	4630	4631	4632	4633	4634	4635
35	4640	4641	4642	4643	4644	4645
<b>Total \$<sup>36</sup></b>			<b>4699</b>			

**OMIT PENNIES**

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

<b>WITHDRAWAL CODE:</b>	<b>DESCRIPTIONS</b>
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals

QUANTITATIVE ANALYSIS SERVICE, INC.  
RECONCILIATION OF COMPUTATION OF NET CAPITAL PURSUANT TO UNIFORM NET  
CAPITAL RULE 15c3-1 TO CORPORATION'S CORRESPONDING UNAUDITED FORM X-17A-5  
PART IIA  
FILING DECEMBER 31, 2006

Net Capital per computation pursuant to Audited Form X-17A-5 Part IIA Filing	\$ 1,311,782
Adjustments:	
Audit adjustments - Accrued income, salaries and expenses depreciation, etc., including year end adjustments	-
Net Capital per Corporation's unaudited Form X-17a-5 Part IIA filing	<u>\$ 1,311,782</u>

SANFORD BECKER & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

RICHARD S. BECKER, C.P.A.  
SANFORD E. BECKER, C.P.A.  
GEORGE S. GETZ, C.P.A.

SANFORD BECKER, C.P.A. 1922-1994

1430 BROADWAY  
NEW YORK, N.Y. 10018  
TELEPHONE - (212) 921 - 9000  
FACSIMILE - (212) 354 - 1822

REPORT ON INTERNAL CONTROL

Board of Directors  
Quantitative Analysis Service, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Quantitative Analysis Service Inc. for the year ended December 31, 2006 we considered its internal control structure including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g) (1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by Quantitative Analysis Service, Inc. including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a) (11) and or determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons.
2. Recordation of differences required by rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining an internal control structure and practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the company has responsibility and safeguarded against loss from unauthorized use or disposition and that the transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity

with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in an internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection on any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy of such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2006 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities Exchange Commission, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and should not be used for any other purpose.

New York, New York  
February 14, 2007



END