I am a sole practitioner CPA in San Diego, CA working with small business, some of whom have annual compilations or reviews of their business' financial statements. The two main issues that continually arise is consolidation of VIEs under FIN 46R and accounting for uncertain tax positions under FIN 48.

The VIEs that my clients have are the real estate that the individuals own (sometimes subject to a mortgage that has been refinanced beyond its historical cost) and lease to their businesses. Some of these can escape the consolidation rules as they do not meet the VIE requirements, but others are required to consolidate. The clients strongly believe that consolidation would skew the financial statements to the point of being meaningless to them and their bankers, who are very familiar with the client's businesses. Accordingly, the clients do not consolidate the real estate entity with the operating entity and settle for an exception paragraph in the accountant's report. This all seems to go way beyond the actual need and purpose of the financial statements for small businesses. My clients and I believe the present accounting treatment to be an over reaction to the Enrons of the world which have the size, talent and intent to sometimes mislead a user of the financial statements.

Regarding FIN 48, my clients believe the cost of complying with this standard far outweigh the benefits. The cost of doing a proper study to determine what uncertain tax positions may be subject to an audit adjustment and then computing the amount of tax and related interest and penalties serves the client no purpose. They are generally very familiar with the big picture of their business' taxes and do not believe the additional disclosure would be meaningful to either them or the users of the financial statements which generally get copies of both the business' financial statements and its tax return. These clients also choose to settle for an exception paragraph in the accountant's report.

Again, the reporting and accounting needs of large public companies should not be imposed on small businesses that cannot afford the costs of complying and that do not perceive any real benefit of complying.