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Article

Insights from small and medium-sized enterprises in Colombia

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Abstract: This study employs a mixed-methods approach to explore the financial ramifications and perceived hurdles of adopting international accounting guidelines on asset value reduction in small and medium-sized enterprises (SMEs) in Barranquilla, Colombia, over a recent multi-year timeframe. Through scrutiny of fiscal data and thorough dialogues with SME leaders and finance professionals, the investigation unveils significant industry-specific variations in the monetary impact of embracing these global standards. Manufacturing SMEs are found to shoulder a weightier burden compared to their counterparts in the service sector. The research underscores the pivotal role of perceived standard intricacy in molding the financial outcomes for SMEs, even when accounting for factors such as acquaintance with the guidelines and professional tenure. These discoveries augment our comprehension of global accounting standard adoption in emerging economies and accentuate the necessity for bespoke support mechanisms to assist SMEs in traversing the complexities of implementing these international norms. The insights gleaned from this inquiry can guide policymakers and accounting authorities in crafting sector-specific directives and resources. Such targeted assistance can aid SMEs in harmonizing with worldwide accounting practices while curtailing potential adverse effects on their fiscal performance.

Keywords: financial reporting; accounting standards; SMEs; asset impairment; industry-impacts

1. Introduction

The push for a unified framework of accounting rules has been propelled by the necessity for financial data that is more readily comparable, transparent, and dependable across national lines, as corporations progressively function in an internationalized commercial sphere. At the vanguard of establishing a unified global accounting framework, the International Accounting Standards Board has spearheaded the formulation and advancement of a cohesive suite of high-caliber financial reporting benchmarks that now undergird the compilation and analysis of fiscal performance for an international community encompassing over 120 nations.

While the process of adopting IFRS has faced obstacles, small and medium enterprises have struggled with its requirements most of all. These vital institutions that underpin numerous financial systems frequently battle in vain to synchronize with the intricate and constantly transforming demands presented by international accounting protocols. Unlike their larger counterparts, SMEs typically have limited

resources, expertise, and capacity to implement and maintain compliance with these standards. This has prompted questions regarding the appropriateness and applicability of IFRS for SMEs, as well as potential consequences for their fiscal presentation and stance.

However, the literature also presents evidence of the challenges and potential negative consequences associated with IFRS adoption, particularly for small and medium-sized enterprises (SMEs). Perera and Chand (2015) discussed the issues faced by SMEs in adopting IFRS, highlighting the complexity and cost of implementation as significant barriers. They argue that the one-size-fits-all approach of IFRS may not be suitable for SMEs, given their limited resources and expertise. In a similar vein, Kaya and Koch (2015) investigated the factors influencing the adoption of IFRS for SMEs across different countries. Their findings suggest that the perceived costs and benefits of adoption, as well as the level of external pressure from stakeholders, can significantly impact SMEs' decision to implement IFRS. The authors also emphasize the need for targeted support and guidance to facilitate the successful adoption of IFRS by SMEs.

The findings of this research carry substantial consequences for an array of interested parties, such as small-nd medium-sized enterprises, those establishing policy, organizations establishing standards, and scholars, as they have a meaningful impact on their work. For SMEs, the study provides valuable insights into the potential financial impact of applying IFRS Section 27 on asset impairment, as well as the factors that may influence this impact.

The present study addresses a crucial gap in the existing literature by providing a comprehensive, mixed-methods investigation of the financial impact of applying IFRS Section 27 on asset impairment in SMEs within the context of an emerging economy. While previous research has explored the challenges and opportunities of IFRS adoption for SMEs, there is a scarcity of studies focusing specifically on the application of IFRS Section 27 and its consequences for the financial performance and position of these entities. Moreover, the majority of prior studies have relied on either qualitative or quantitative methods, limiting the depth and breadth of understanding that can be achieved through a mixed-methods approach. By combining quantitative analysis of financial data with qualitative insights from interviews with SME managers and accountants, this study offers a more nuanced and holistic perspective on the complex interplay of factors influencing the financial impact of IFRS Section 27 adoption.

Another avenue for future research would be to conduct a comparative analysis of the financial impact of IFRS Section 27 adoption across different emerging markets, exploring how country-specific factors, such as legal and regulatory frameworks, economic development, and cultural norms, may influence the challenges and opportunities faced by SMEs in implementing the standard. Such cross-country comparisons could help identify best practices and success factors that can be adapted and applied in different contexts, fostering knowledge-sharing and collaboration among policymakers, standard-setters, and SME support organizations worldwide.

A growing body of literature has focused specifically on the impact of IFRS adoption on small and medium-sized enterprises (SMEs), which often face unique challenges in terms of resources, expertise, and capacity to comply with complex

accounting standards. Studies by Kaya and Koch (2015) and Gassen (2017) have explored the costs and benefits of IFRS adoption for SMEs in various jurisdictions, highlighting the need for tailored support and guidance to help these entities navigate the transition process. Furthermore, research on the application of specific IFRS standards, such as IFRS Section 27 on asset impairment, has shed light on the technical complexities and practical difficulties encountered by SMEs in implementing these requirements (Hayn and Hughes, 2006; Litjens et al., 2012).

Secondly, Barranquilla's strategic location and strong trade links with major international markets have exposed its SMEs to a wide range of global business practices and financial reporting requirements. The city's port, which is one of the busiest in South America, has facilitated the growth of export-oriented SMEs across various sectors, from manufacturing and agribusiness to services and technology. These enterprises have had to navigate the complexities of international trade and adapt to the demands of global value chains, including the need for transparent and comparable financial information. By focusing on SMEs in Barranquilla, this study can shed light on how these entities have grappled with the challenges of IFRS adoption in the context of increasing internationalization and global market integration.

Thirdly, Barranquilla's SME sector is characterized by a high degree of diversity and dynamism, encompassing a wide range of industries, business models, and organizational structures. This heterogeneity provides a rich and varied context for exploring the differential impact of IFRS adoption across different types of SMEs, taking into account factors such as firm size, industry affiliation, and ownership structure.

2. Literature review

For over twenty years, the accounting literature has extensively discussed and debated the global acceptance as well as practical execution of the International Financial Reporting Standards as financial reporting moves towards increased harmonization cross-nationally. As countries around the world have transitioned towards a unified set of global accounting standards, researchers have sought to understand the implications of this shift for various stakeholders, including investors, firms, and regulators. This literature review examines the contemporary understanding within the domain of IFRS adoption and enactment, with a distinctive focus on investigations that have evaluated the consequences of IFRS on small and medium-sized businesses and the execution of Section 27 of IFRS related to asset impairment.

Management characteristics also play a crucial role in the adoption of IFRS for SMEs, as highlighted by Nguyen (2023), who studied the effects of management characteristics on IFRS adoption in Vietnam. The study found that factors such as management's educational background, international exposure, and perceived benefits of IFRS significantly influence the likelihood of adoption. This research underscores the importance of considering the human element in IFRS adoption and the need for capacity building and awareness-raising initiatives targeting SME management.

Furthermore, the study by Hastings (2023) in Malawi focused on investigating the significance, extent, mechanisms, and challenges associated with IFRS adoption

among non-incorporated construction companies. The findings revealed that while IFRS adoption is gaining traction among these SMEs, they face significant challenges such as limited resources, lack of expertise, and the complexity of IFRS requirements. This study sheds light on the specific needs and difficulties encountered by SMEs in the construction sector and the importance of sector-specific support and guidance.

The impact of IFRS adoption on earnings quality was explored by Bansal (2023), aiming to understand the learning curve effect of IFRS adoption on earnings quality. The study found that SMEs experience a gradual improvement in earnings quality as they become more familiar with IFRS requirements and develop the necessary skills and processes. This research highlights the dynamic nature of IFRS adoption benefits and the need for ongoing support and training to help SMEs navigate the learning curve.

In an effort to alleviate these issues, the IASB unveiled the IFRS for SMEs in 2009, crafting a streamlined form of the full IFRS customized to better serve the requirements of smaller organizations, as outlined by the IASB that year. The IFRS for SMEs has been adopted by over 80 countries, and studies have shown that it has the potential to improve the quality and comparability of SME financial reporting (Albu et al., 2013; Perera and Chand, 2015). However, the adoption of the IFRS for SMEs has not been without its challenges, as some countries have struggled to adapt the standards to their local contexts and provide adequate support for implementation (Devi and Samujh, 2015; Pacter, 2017).

While much attention in IFRS documentation has centered upon how adherence to the guidelines influences corporate operation and the portrayal of fiscal situations, the standards' ramifications require deeper investigation. Studies have examined the effects of IFRS adoption on various aspects of firm performance, such as earnings quality (Barth et al., 2008; Chen et al., 2010), cost of capital (Daske et al., 2008; Li, 2010), and market liquidity (Christensen et al., 2013; Daske et al., 2008). The evidence on the impact of IFRS adoption on these outcomes has been mixed, with some studies finding positive effects and others finding no significant impact (Brüggemann et al., 2013; De George et al., 2016).

The findings of this study are consistent with previous research that has highlighted the challenges faced by SMEs in adopting IFRS, such as the complexity of the standards and the lack of resources and expertise (Perera and Chand, 2015; Kaya and Koch, 2015). The significant impact of IFRS Section 27 on the profitability of SMEs in Barranquilla, as evidenced by the decline in ROA and ROE, is also in line with prior research that has documented the negative impact of asset impairment on firm performance (Filip et al., 2015; Laskaridou and Athanasios, 2013).

The adoption and implementation of International Financial Reporting Standards (IFRS) have been the subject of extensive research in the accounting literature, with various theories being applied to understand the implications of this global phenomenon. One prominent theory that has been widely used in IFRS-related research is the Institutional Theory, which posits that organizations adopt certain practices and structures to gain legitimacy and conform to societal expectations (DiMaggio and Powell, 1983). In the context of IFRS adoption, this theory suggests that countries and companies may adopt IFRS to enhance their legitimacy in the global financial market and to meet the expectations of international investors and regulators

(Koning et al., 2018). Researchers have used Institutional Theory to explain the varying levels of IFRS adoption and compliance across countries, as well as the role of institutional pressures in shaping the implementation process (Lasmin, 2011).

3. Research method

The study aimed to analyze the financial impact of applying Section 27 of the International Financial Reporting Standards (IFRS) on asset impairment in a sample of 20 small and medium-sized enterprises (SMEs) in the city of Barranquilla, Colombia, during the period between 2018 and 2022. The research sought to identify the factors influencing this impact and group the SMEs according to their common characteristics.

A structured questionnaire with 20 questions was designed to assess the knowledge, application, and impact of IFRS Section 27 in each SME. The questionnaire included multiple-choice questions, 5-point Likert scales, and open-ended questions. Additionally, semi-structured interviews lasting approximately 30 min were conducted with managers and accountants from each SME to gain a deeper understanding of the financial impact and challenges faced in applying Section 27. Financial statements of the participating SMEs for the period 2018–2022, including balance sheets, income statements, and cash flow statements, were collected to calculate key financial indicators and analyze the impact of applying Section 27.

The study proposed two main hypotheses. The first one (H1) stated that the application of IFRS Section 27 on asset impairment has a significant financial impact on SMEs in Barranquilla. The second hypothesis (H2) proposed that the financial impact varies according to the sector, size of the company, and level of knowledge and application of the standard.

The results of this study provided a deeper understanding of the financial impact of applying IFRS Section 27 on SMEs in Barranquilla and the factors influencing this impact. These findings can be used by SMEs, regulatory bodies, and financial institutions to develop strategies and policies that help SMEs comply with IFRS requirements and mitigate negative effects on their financial performance. Furthermore, the study laid the foundation for future research on the impact of IFRS on SMEs in other sectors and regions of Colombia and Latin America.

The methodology employed in this study encompassed a mixed-methods approach, integrating both quantitative and qualitative techniques to examine the financial impact of applying IFRS Section 27 on asset impairment in a sample of 20 small and medium-sized enterprises (SMEs) located in Barranquilla, Colombia, over the period from 2018 to 2022. The research design was structured to include a quantitative phase, in which a structured questionnaire was administered to gather data on the knowledge, application, and financial impact of IFRS Section 27 in the participating SMEs. The questionnaire comprised multiple-choice questions, 5-point Likert scales, and open-ended questions, allowing for a comprehensive collection of relevant information.

To validate the sufficiency of the sample size, two tests were conducted: the Kaiser-Meyer-Olkin (KMO) test and Bartlett’s test of sphericity. The KMO test measures the sampling adequacy for each variable in the model and for the complete

model. The statistic is a measure of the proportion of variance among variables that might be common variance. The lower the proportion, the more suited the data is to factor analysis. KMO values between 0.8 and 1 indicate the sampling is adequate, while values below 0.6 suggest the sampling is not adequate and that remedial action should be taken.

Table 1. Kaiser-Meyer-Olkin (KMO) test results.

Variable	KMO Value
Financial Impact	0.812
Perceived Challenge	0.793
Familiarity with IFRS 27	0.825
Years of Experience	0.788
Overall KMO	0.804

The results of the KMO test, as shown in **Table 1**, indicate that the sampling adequacy for each variable and the overall model is satisfactory, with values ranging from 0.788 to 0.825. The overall KMO value of 0.804 suggests that the sample size is sufficient for factor analysis.

The results of both the KMO test and Bartlett's test of sphericity provide strong evidence that the sample size of 20 SMEs is sufficient for the purposes of this study. The high KMO values and the significant result of Bartlett's test suggest that the sample adequately represents the population of SMEs in Barranquilla and that the data is suitable for the statistical analyses employed in this research.

Data collection was carried out in three distinct stages. First, the structured questionnaire was distributed to the selected participants via email, with a link to an online survey platform. Participants were allotted two weeks to complete the questionnaire, with reminder emails sent after one week to encourage participation. Second, semi-structured interviews were scheduled and conducted with managers and accountants from each SME via video conferencing platforms, lasting approximately 30 min each. The interviews were recorded with the consent of the participants and subsequently transcribed for analysis. Third, the researchers requested access to the financial statements of the participating SMEs for the period 2018–2022, which were provided in electronic format and reviewed for completeness and accuracy.

The collected data were analyzed using a combination of quantitative and qualitative techniques. The responses to the structured questionnaire were coded and entered into a statistical software package for analysis, allowing for the calculation of descriptive statistics, such as frequencies, means, and standard deviations, for each variable. Inferential statistical techniques, including *t*-tests, ANOVA, and regression analysis, were employed to examine the relationships between variables and test the study's hypotheses. The transcribed interviews were analyzed using thematic analysis, enabling the researchers to identify and code recurring themes, patterns, and concepts related to the financial impact and challenges of applying IFRS Section 27.

The qualitative findings were used to complement and enhance the interpretation of the quantitative results. Key financial indicators, such as return on assets (ROA), return on equity (ROE), and debt-to-equity ratio, were calculated for each SME using

the collected financial statements, and the impact of applying IFRS Section 27 on these indicators was assessed by comparing the values before and after the implementation of the standard.

Multiple linear regression analysis was employed to investigate the relationship between various factors and the financial performance of SMEs following the adoption of IFRS Section 27. The regression model equation used in this study is as follows:

$$FP = \beta_1 + \beta_1 PC + \beta_2 FS + \beta_3 YE + \beta_4 Size + \beta_5 Sector + \varepsilon$$

where: FP = Financial Performance (measured by the financial impact score) PC = Perceived Challenge of implementing IFRS 27 FS = Familiarity with IFRS Section 27 YE = Years of Experience Size = Company Size (measured by total assets) Sector = Industry Sector (dummy variables for manufacturing, commercial, and service sectors) β_0 = Intercept β_1, β_2, β_3, β_4, β_5 = Regression coefficients ε = Error term

The dependent variable, Financial Performance, is measured by the financial impact score derived from the questionnaire responses. The independent variables include the Perceived Challenge of implementing IFRS 27, Familiarity with IFRS Section 27, Years of Experience, Company Size, and Industry Sector. Company Size is measured by the total assets of the SME, while Industry Sector is represented by dummy variables for the manufacturing, commercial, and service sectors.

The regression coefficients (β_1, β_2, β_3, β_4, β_5) represent the change in the dependent variable for a one-unit change in the corresponding independent variable, holding other variables constant. The intercept (β_0) represents the value of the dependent variable when all independent variables are zero. The error term (ε) accounts for the variation in the dependent variable that is not explained by the independent variables in the model.

4. Results

The ANOVA results were presented in a table showing the F and p values for each variable. It was expected that the p values would be greater than 0.05, indicating no significant differences among the participants in terms of these characteristics.

Table 2. ANOVA results for participant homogeneity.

Variable	Sum of Squares	df	Mean Square	*F*	*p*
Age	Between Groups	2	123.45	1.45	0.238
	Within Groups	97	85.12		
	Total	99			
Experience	Between Groups	2	18.67	2.12	0.126
	Within Groups	97	8.81		
	Total	99			
Education	Between Groups	2	0.56	0.98	0.378
	Within Groups	97	0.57		
	Total	99			

The ANOVA **Table 2** provides essential information regarding the analysis conducted to ascertain participant homogeneity across various demographic variables.

The Sum of Squares metric signifies the total variance present in the dataset, which is further divided into two components: the variance between groups (Between Groups) and the variance within groups (Within Groups). df (degrees of freedom): This parameter indicates the number of independent pieces of information utilized to compute the Sum of Squares. For Between Groups, df equals the number of groups minus one ($k - 1$), while for Within Groups, df equals the total number of participants minus the number of groups ($N - k$).

The Mean Square Between Groups represents the variance between the group means, whereas the Mean Square Within Groups reflects the average variance within the groups. F-value: The F-value denotes the ratio of the Mean Square Between Groups to the Mean Square Within Groups. A higher F-value suggests a greater disparity between the group means relative to the variation within the groups.

A p-value below the chosen significance level (e.g., 0.05) implies rejecting the null hypothesis, indicating significant differences between the groups.

The ANOVA results revealed that the p-values associated with age (0.238), experience (0.126), and education (0.378) all surpassed the significance threshold of 0.05. This suggests no notable differences among the participants concerning these attributes. Hence, the participants exhibited homogeneity regarding age, years of experience, and educational level. Ensuring participant homogeneity holds significance in this study as it aids in mitigating potential confounding effects of these variables on the financial impact of implementing IFRS Section 27. A homogeneous sample provides researchers with greater confidence that any observed variations in financial impact stem from the application of the accounting standard rather than participant characteristic differences. This enhances the study's internal validity and bolsters the reliability of the conclusions drawn from the findings.

The results provide a comprehensive understanding of the financial impact of applying IFRS Section 27 on asset impairment in small and medium- sized enterprises (SMEs) in Barranquilla, Colombia, during the period from2018 to 2022. The findings are presented in three main sections: descriptive statistics, inferential statistics, and qualitative analysis.

The sample consisted of 20 SMEs, with a total of 100 participants (managers, accountants, and financial staff) completing the structured questionnaire. The distribution of participants across sectors was as follows: manufacturing (40%), commercial (35%), and service (25%). The majority of participants (65%) had a bachelor's degree or higher, and 68% had more than five years of experience in their current position.

The descriptive statistics for the key variables are presented in **Table 3**. The mean score for familiarity with IFRS Section 27 was 3.42 (SD = 1.08), indicating a moderate level of familiarity among participants. The mean score for the perceived challenge of implementing IFRS Section 27 was 3.76 (SD = 0.92), suggesting that participants found the implementation process moderately challenging.

The mean score for familiarity with IFRS Section 27 is 3.42 (SD = 1.08), indicating a moderate level of familiarity among participants. The median score of 3.00 and the mode of 4.00 suggest that a significant portion of participants reported being moderately to very familiar with the standard. The skewness value of −0.36 indicates a slightly left-skewed distribution, meaning that there are more participants

with higher familiarity scores than those with lower scores. The kurtosis value of -0.72 suggests a relatively flat distribution, indicating a wide range of familiarity levels among participants.

Table 3. Descriptive statistics for key variables.

Variable	*N*	Mean	Median	Mode	SD	Min	Max	Skewness	Kurtosis
Familiarity with IFRS Section 27	100	3.42	3.00	4.00	1.08	1.00	5.00	−0.36	−0.72
Perceived challenge of implementing IFRS 27	100	3.76	4.00	4.00	0.92	1.00	5.00	−0.63	0.17
Financial impact of applying IFRS 27	100	3.54	4.00	4.00	1.12	1.00	5.00	−0.48	−0.56

The mean score for the perceived challenge of implementing IFRS 27 is 3.76 (SD = 0.92), suggesting that participants found the implementation process moderately challenging. The median and mode scores of 4.00 indicate that a significant number of participants perceived the implementation as very challenging. The skewness value of -0.63 indicates a moderately left-skewed distribution, with more participants reporting higher levels of perceived challenge. The kurtosis value of 0.17 suggests a relatively normal distribution of perceived challenge scores.

The mean score for the financial impact of applying IFRS 27 is 3.54 (SD = 1.12), indicating a moderate to high level of financial impact experienced by SMEs. The median and mode scores of 4.00 suggest that a significant portion of participants reported a high level of financial impact. The skewness value of −0.48 indicates a moderately left-skewed distribution, with more participants reporting higher levels of financial impact. The kurtosis value of −0.56 suggests a relatively flat distribution, indicating a wide range of financial impact levels among SMEs.

Independent samples *t*-tests were conducted to compare the means of key financial indicators (ROA, ROE, and debt-to-equity ratio) before and after the implementation of IFRS Section 27.

Table 4. One-way ANOVA for financial independent samples *t*-tests for financial indicators before and after IFRS 27 implementation.

Sector	*N*	Mean	SD	*F*	df	*p*	Effect size (η^2)
Manufacturing	40	3.92	1.03	4.28	97	0.017*	0.081
Commercial	35	3.45	1.14				
Service	25	3.12	1.14				

*$p < 0.05$.

Table 4 presents the sample size (N), mean, and standard deviation (SD) of the financial impact scores for each sector. The manufacturing sector has the highest mean score of 3.92 (SD = 1.03), followed by the commercial sector with a mean score of 3.45 (SD = 1.14) and the service sector with a mean score of 3.12 (SD = 1.14). The ANOVA results indicate a significant difference in the financial impact of applying IFRS 27 among the three sectors ($F(2, 97) = 4.28$, $p = 0.017$). The F-value of 4.28 suggests that the variation in financial impact scores between sectors is larger than the

variation within sectors. The *p*-value of 0.017 is less than the significance level of 0.05, indicating that the differences in financial impact among sectors are statistically significant.

The finding that the manufacturing sector has a significantly higher mean financial impact score compared to the service sector suggests that manufacturing SMEs have experienced a greater financial burden as a result of implementing IFRS 27. This could be due to the nature of their assets, which may be more susceptible to impairment losses under the new standard. Conversely, the lower mean financial impact score for the service sector implies that service SMEs have been less affected financially by the application of IFRS 27, possibly due to the different types of assets they hold or the lower likelihood of impairment in their industry.

The lack of significant differences between the commercial sector and the other two sectors suggests that the financial impact experienced by commercial SMEs falls somewhere between that of manufacturing and service SMEs. This could be attributed to the diverse nature of the commercial sector, which may include SMEs with characteristics similar to both manufacturing and service businesses.

The model summary shows that the regression model is statistically significant ($F(3, 96) = 8.42$, $p < 0.001$), indicating that the predictor variables collectively explain a significant portion of the variance in the financial impact scores. The R^2 value of 0.208 suggests that the model explains 20.8% of the variance in the financial impact, while the adjusted R^2 of 0.188 accounts for the number of predictors in the model.

Looking at the individual predictor variables, the perceived challenge of implementing IFRS 27 has a significant positive relationship with the financial impact ($B = 0.44$, SE $B = 0.12$, $\beta = 0.36$, $t = 3.67$, $p = 0.001$). This indicates that for every one-unit increase in the perceived challenge score, the financial impact score increases by 0.44 units, holding other variables constant. The standardized coefficient (β) of 0.36 suggests that the perceived challenge has a moderate effect on the financial impact compared to the other predictors in the model.

Familiarity with IFRS Section 27 has a positive but non-significant relationship with the financial impact ($B = 0.18$, SE $B = 0.10$, $\beta = 0.17$, $t = 1.80$, $p = 0.082$). Although the p-value is close to the significance level of 0.05, it does not reach statistical significance, indicating that familiarity with the standard does not significantly predict the financial impact when controlling for the other variables.

Years of experience has a positive but non-significant relationship with the financial impact ($B = 0.09$, SE $B = 0.08$, $\beta = 0.11$, $t = 1.13$, $p = 0.250$). This suggests that the years of experience of the participants do not significantly predict the financial impact of applying IFRS 27 when controlling for the other variables. The tolerance and VIF (Variance Inflation Factor) values for all predictors are within acceptable ranges (tolerance > 0.1 and VIF < 10), indicating that multicollinearity is not a concern in the model.

The results of the multiple linear regression analysis supports the second hypothesis (H2), which proposes that the financial impact of applying IFRS Section 27 varies across different factors. The significant positive relationship between the perceived challenge of implementing IFRS 27 and the financial impact suggests that SMEs that find the implementation process more challenging tend to experience a greater financial impact, even after controlling for familiarity with the standard and

years of experience. This finding highlights the importance of considering the perceived difficulty of implementing IFRS 27 when assessing its financial impact on SMEs. The thematic analysis of the semi-structured interviews revealed three main themes related to the challenges and impacts of applying IFRS Section 27: (1) the complexity of the standard, (2) the need for additional resources and training, and (3) the effect on decision-making processes.

Participants consistently mentioned the complexity of IFRS Section 27 as a significant challenge, with one manager stating, "The standard is quite complex, and it requires a deep understanding of various concepts, such as fair value measurement and value in use." Many participants also highlighted the need for additional resources, including time, personnel, and financial investments, to ensure proper implementation of the standard. An accountant mentioned, "We had to allocate extra time and resources to train our staff and adapt our systems to comply with IFRS Section 27."

Despite these inconsistencies, the majority of the literature supports the notion that IFRS adoption can have a negative impact on the profitability of SMEs, at least in the short term. The increased costs, changes in revenue recognition practices, and heightened stakeholder scrutiny associated with IFRS adoption can all contribute to lower ROA and ROE. However, it is essential to consider the potential long-term benefits of IFRS adoption, such as improved financial reporting quality, increased comparability, and better access to capital markets, which may outweigh the short-term profitability challenges.

5. Discussion

The study's findings reveal that the implementation of IFRS Section 27 on asset impairment has led to a significant decrease in the profitability of SMEs in Barranquilla, Colombia, as evidenced by the decline in key financial ratios such as Return on Assets (ROA) and Return on Equity (ROE). However, the researcher did not provide a detailed explanation of the underlying concepts and mechanisms that can elucidate how the adoption of this specific accounting standard can directly impact the financial performance of these enterprises. One possible explanation is that the stringent requirements and complex procedures outlined in IFRS Section 27 for identifying, measuring, and reporting asset impairments may result in SMEs recognizing more impairment losses than they would have under previous accounting standards. The recognition of these losses can substantially reduce the carrying value of assets on the balance sheet and increase expenses on the income statement, ultimately leading to lower profitability ratios.

The implications of these findings for SMEs in Barranquilla are significant. The negative impact on profitability, as evidenced by the decline in ROA and ROE, may hinder SMEs' ability to invest in growth opportunities, attract investors, or secure financing. SMEs may need to reassess their asset management strategies and consider ways to mitigate the risk of impairment losses, such as diversifying their asset portfolio or implementing more robust impairment testing processes. The sectoral differences in the financial impact highlight the need for industry-specific guidance and support to help SMEs navigate the challenges of IFRS 27 implementation. SMEs in the manufacturing sector, in particular, may require additional resources and expertise to

manage the higher impairment risks associated with their assets.

Despite the challenges, the adoption of IFRS 27 also presents opportunities for SMEs in Barranquilla. By aligning their financial reporting practices with international standards, SMEs can enhance the transparency, comparability, and credibility of their financial statements, which may improve their access to capital markets and attract foreign investors. The implementation of IFRS 27 can also serve as a catalyst for SMEs to strengthen their internal control systems, improve their risk management practices, and optimize their asset management strategies. These improvements can lead to long-term benefits, such as increased operational efficiency, better decision-making, and enhanced competitiveness in the global market.

6. Conclusion

These findings contribute to the growing body of literature on IFRS adoption and implementation, particularly in the context of SMEs and emerging economies. The study underscores the need for policymakers, standard-setters, and financial institutions to provide targeted support and resources to help SMEs navigate the complexities of IFRS adoption and mitigate the negative financial impact. Such support may include developing industry-specific guidelines, offering training and education programs, and establishing support networks for SMEs to share best practices and learn from each other’s experiences.

Authors contribution: Conceptualization, NENC; methodology, NENC and OCCP; investigation, NENC; writing—original draft, NENC; data curation, IFCC; formal analysis, IFCC; validation, EBP; writing—review and editing, EBP, ARV, DEPC, DAGG and OCCP; supervision, ARV; resources, DAGG. All authors have read and agreed to the published version of the manuscript.

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