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## Financial Implications of Investments in Associates in Smes Evidence from Medellin, Colombia

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### Abstract

This study aimed to analyse the financial implications of investments in associates in SMEs located in Medellín, Colombia. Recognising the strategic potential of such investments—particularly in enhancing profitability, equity structure, and long-term competitiveness—the research sought to explore their financial impact through a qualitative, exploratory, and descriptive approach. Data were collected via structured interviews with 154 certified public accountants, each representing a different SME that had engaged in investments in associates. The non-probabilistic convenience sample allowed for in-depth insights from professionals directly involved in the accounting treatment and financial decision-making processes of these entities. The findings revealed that, despite limited familiarity and the absence of standardised accounting policies, investments in associates can positively influence SMEs' financial performance. Key outcomes included increased income, improved cash flows, and stronger equity positions. However, the study also identified deficiencies in impairment evaluation practices and a general lack of technical capacity for compliance with IFRS for SMEs—specifically Section 14 governing the equity method. The research concludes that investments in associates, when strategically managed and adequately disclosed, represent a valuable financial instrument for SMEs. To fully realise their benefits, however, firms must strengthen internal control systems, implement sound accounting policies, and invest in continuous professional training. An integrated approach involving financial management, strategic planning, and regulatory compliance is essential for sustaining growth and mitigating investment-related risks.

**Keywords:** Financial Implications, Investments in Associates, Smes, Equity Method, Strategic Alliances