

IAS 1 *Presentation of Financial Statements* (June 2005)

Normal operating cycle

The IFRIC considered an issue regarding the classification of current and non-current assets by reference to an entity's normal operating cycle. It was asked whether the guidance in IAS 1.57(a) was applicable only if an entity had a predominant operating cycle. This is particularly relevant to the inventories of conglomerates which, on a narrow reading of the wording, might always have to refer to the twelvemonth criterion in IAS 1.57(c), rather than the operating cycle criterion.

The IFRIC decided not to consider the question further because, in its view, it was clear that the wording should be read in both the singular and the plural and that it was the nature of inventories in relation to the operating cycle that was relevant to classification. Furthermore, if inventories of different cycles were held, and it was material to readers' understanding of an entity's financial position, then the general requirement in IAS 1.71 already required disclosure of further information.