

Normal operating cycle (IAS 1 *Presentation of Financial Statements*)

Published by the IFRS Interpretations Committee in June 2005

Updated in January 2026 to replace references to IAS 1 Presentation of Financial Statements with references to IFRS 18 Presentation and Disclosure in Financial Statements

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) [now paragraph 99(a) of IFRS 18] 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 12-month criterion in IAS 1.57(c) [now paragraph 99(c) of IFRS 18], 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, IFRS 18 requires an entity to consider the roles of the primary financial statements and the notes (paragraphs 15–24 and 106 of IFRS 18), and the principles of aggregation and disaggregation in paragraphs 41–42 of IFRS 18, to determine whether and what additional information to present and disclose.

Copyright © 2026 IFRS Foundation

All rights reserved. Reproduction and use rights are strictly limited. No part of this publication may be translated, reprinted, reproduced or used in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or in any information storage and retrieval system, without prior permission in writing from the IFRS Foundation.

The IFRS Foundation has trade marks registered around the world including 'FSA[®]', the 'Hexagon Device' logo[®], 'IAS[®]', 'IASB[®]', 'IFRIC[®]', 'IFRS[®]', the 'IFRS[®]' logo, 'IFRS for SMEs[®]', 'ISSB[®]', 'International Accounting Standards[®]', 'International Financial Reporting Standards[®]', 'International Financial Reporting Standards Foundation[®]', 'IFRS Foundation[®]', 'NIIF[®]', 'SASB[®]', 'SIC[®]', 'SICS[®]', and 'Sustainable Industry Classification System[®]'. Further details of the IFRS Foundation's trade marks are available from the IFRS Foundation on request.

The IFRS Foundation is a not-for-profit corporation under the General Corporation Law of the State of Delaware, USA and operates in England and Wales as an overseas company (Company number: FC023235) with its principal office in the Columbus Building, 7 Westferry Circus, Canary Wharf, London, E14 4HD.