

[Company Letterhead]

[Date]

[Audit Firm Name]

[Audit Firm Address]

**Subject: Management Representation Letter - Inventory Valuation**

Dear [Name of Auditor/Engagement Partner],

This representation letter is provided in connection with your audit of the financial statements of [Company Name] for the period ended [Date]. We acknowledge our responsibility for the fair presentation of the financial statements, specifically regarding the valuation and existence of inventory.

We confirm, to the best of our knowledge and belief, the following representations:

- 1. Physical Existence:** All inventories recorded in the financial statements physically exist and are the property of the Company. Inventories held on behalf of third parties have been excluded.
- 2. Valuation Method:** Inventory is valued at the lower of cost or net realizable value. Cost has been determined using the [Insert Method, e.g., FIFO / Weighted Average] method, consistently applied with the prior year.
- 3. Obsolete and Slow-Moving Stock:** Adequate provisions have been made for slow-moving, obsolete, damaged, or unusable inventory. The net realizable value reflects the estimated selling price in the ordinary course of business less the estimated costs of completion and sale.
- 4. Inclusions:** The inventory balance includes all raw materials, work-in-progress, and finished goods, including those in transit for which the Company holds legal title.
- 5. Pledges and Liens:** There are no liens or encumbrances on the Company's inventory, nor has any inventory been pledged as collateral, except as disclosed in the notes to the financial statements.
- 6. Cut-off:** All purchases and sales of inventory have been recorded in the correct accounting period based on the transfer of risks and rewards/control.
- 7. Completeness:** All inventory quantities were determined by actual physical counts performed on [Date] by qualified personnel and adjusted for transactions between the count date and year-end.

Yours faithfully,

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[Name of Chief Executive Officer]  
CEO

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[Name of Chief Financial Officer]  
CFO