

[Company Letterhead]

[Date]

[Accounting Firm Name]

[Address]

[City, State, Zip Code]

Subject: Representation Letter Regarding Inventory Pricing and Valuation

To [Name of Auditor/Accountant],

In connection with your audit or review of the financial statements of [Company Name] as of [Fiscal Year End Date], we provide the following representations regarding the pricing and valuation of our inventory:

1. **Methodology:** Inventory is stated at the lower of cost or net realizable value. Cost has been determined using the [First-In, First-Out (FIFO) / Weighted Average / LIFO] method.
2. **Cost Components:** The pricing of finished goods and work-in-process includes appropriate direct materials, direct labor, and an applicable portion of manufacturing overhead based on normal operating capacity.
3. **Consistency:** The methods used to price inventory are consistent with those used in the prior year.
4. **Obsolete and Slow-Moving Stock:** Provision has been made to reduce excess, slow-moving, or obsolete inventory to its estimated net realizable value. No inventories are recorded at amounts exceeding their recoverable value.
5. **Physical Count:** The quantities used in the pricing summary were determined by physical counts performed on [Date] by qualified personnel.
6. **Ownership and Liens:** The company has clear title to all inventories. No inventory is held on consignment for others, and none of the inventory is pledged as collateral except as disclosed in the financial statements.
7. **Purchase Commitments:** There are no significant losses expected from firm purchase commitments for inventory items.

To the best of our knowledge and belief, the inventory values presented in the financial statements are accurate and complete.

Sincerely,

[Name of Chief Executive Officer]
CEO

[Name of Chief Financial Officer]
CFO