

[Company Letterhead]

[Date]

[Audit Firm Name]

[Audit Firm Address]

[City, State, Zip Code]

Re: Inventory Valuation and Observation Representation Letter

Dear [Auditor Name],

This representation letter is provided in connection with your audit of the financial statements of [Company Name] for the period ended [Date]. We confirm the following representations regarding the inventory of the Company:

1. Quantities and Physical Observation

All inventories included in the financial statements were physically counted or determined by reliable perpetual systems as of [Date]. All inventory items are the property of the Company, and no items have been included that are on consignment from others. All items sold but not yet shipped have been excluded from the count.

2. Valuation

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the [Insert Method, e.g., FIFO, Weighted Average] method. The valuation includes appropriate allocations for labor and overhead where applicable.

3. Condition and Obsolescence

Provisions have been made to reduce the value of slow-moving, obsolete, damaged, or unusable inventory to its estimated net realizable value. We believe the allowance for obsolescence is adequate based on current market conditions.

4. Ownership and Liens

The Company has clear title to all inventory. None of the inventory is subject to liens, pledges, or security interests, except as disclosed in the financial statements. No inventory is held by us on consignment for other parties.

5. Cut-off

All purchases and sales of inventory have been recorded in the proper accounting period based on the transfer of title and risk of loss.

6. Commitments

There are no significant purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of current market prices.

Sincerely,

[Signature]
[Name of Chief Executive Officer]
[Title]

[Signature]
[Name of Chief Financial Officer]
[Title]