

[Company Letterhead]

[Date]

[Audit Firm Name]

[Audit Firm Address]

Subject: Representation Letter Regarding Work-In-Progress (WIP) Inventory Valuation

Dear [Auditor Name],

This representation letter is provided in connection with your audit of the financial statements of [Company Name] as of [Fiscal Year End Date]. We confirm, to the best of our knowledge and belief, the following representations regarding the valuation of Work-In-Progress (WIP) inventory:

1. **Ownership and Existence:** All WIP inventory included in the balance sheet exists and is the sole property of the Company. No WIP inventory is held on consignment for third parties.
2. **Valuation Method:** WIP inventory is valued at the lower of cost or net realizable value. Costs are determined using the [Insert Method, e.g., FIFO / Weighted Average] method and have been consistently applied.
3. **Cost Components:** The cost of WIP includes direct materials, direct labor, and an appropriate portion of applicable manufacturing overheads based on normal operating capacity. We confirm that no abnormal amounts of waste, storage costs, or administrative overheads have been capitalized.
4. **Percentage of Completion:** The estimates for the stage of completion for each project or unit are accurate and based on [Insert Basis, e.g., engineering estimates / labor hours incurred].
5. **Obsolescence and Impairment:** Adequate provisions have been made for slow-moving, obsolete, or damaged WIP. We have reviewed the net realizable value of all WIP and confirmed it exceeds the recorded cost.
6. **Pledges and Liens:** There are no liens or encumbrances on the WIP inventory, nor has any WIP been pledged as collateral, except as disclosed in the financial statements.
7. **Cut-off:** All WIP transactions have been recorded in the correct accounting period.

Sincerely,

[Name of Chief Financial Officer]
Chief Financial Officer

[Name of Production Manager/Controller]
Inventory/Production Controller