

[Date]

[Management Name]

[Title]

[Company Name]

[Company Address]

Subject: Assessment of Slow-Moving and Obsolete Inventory

Dear [Management Name],

During our recent review of the inventory records for the period ending [Date], we identified concerns regarding the accumulation of slow-moving and potentially obsolete stock. This letter serves to formalize our observations and provide recommendations for improvement.

Observations:

- A significant portion of the inventory has shown no movement for over [Number] months.
- Current inventory turnover ratios have decreased compared to the previous fiscal year.
- Storage costs and risks of damage are increasing due to the volume of stagnant stock.

Risks:

Failure to accurately identify and write down slow-moving inventory may lead to an overstatement of assets on the balance sheet and could impact the company's liquidity position.

Recommendations:

- Perform a comprehensive physical inspection to identify damaged or outdated items.
- Implement an automated aging report within the accounting system to flag items with low turnover.
- Establish a formal policy for discounting or liquidating stock that exceeds a specific age threshold.
- Adjust the Net Realizable Value (NRV) in the financial statements to reflect the current market worth of these items.

We recommend that management reviews these findings and updates the inventory valuation accordingly before the finalization of the upcoming financial reports.

Please let us know if you require further clarification regarding these observations.

Sincerely,

[Your Name/Signature]

[Your Title/Department]