

[Date]

[Management Name/Title]

[Company Name]

[Company Address]

Subject: Audit Procedures regarding Inventory Impairment for the Fiscal Year Ending [Date]

Dear [Name],

In connection with our statutory audit of the financial statements of [Company Name] for the year ended [Date], we are writing to outline our required procedures regarding the valuation of inventory and the adequacy of impairment provisions (Write-downs to Net Realizable Value).

To ensure compliance with [Insert Applicable Accounting Standards, e.g., IFRS/GAAP], please provide the following documentation:

- **Inventory Aging Report:** A detailed breakdown of inventory categories categorized by age (e.g., 0-90 days, 91-180 days, over 365 days).
- **Impairment Policy:** A formal copy of the company's policy for identifying obsolete, slow-moving, or damaged stock.
- **Management Calculation:** The schedule showing the calculation of the current year's inventory impairment provision, including key assumptions used.
- **Net Realizable Value (NRV) Testing:** A sample of recent sales invoices post-year-end to compare actual selling prices against the cost of items held in inventory at year-end.
- **Disposal Records:** Evidence of any inventory scrapped or disposed of during the period.

Our audit team will also perform a physical inspection of "red-flag" items identified during the stock count to assess their physical condition and salability.

Please have these documents available by [Insert Date]. Should you have any questions regarding these requirements, please contact us directly.

Yours sincerely,

[Your Name/Signature]

[Audit Firm Name]