[Date]

[Name of Management Representative]
[Title, e.g., Chief Financial Officer]
[Company Name]
[Company Address]

Subject: Management Letter regarding Accounts Receivable Valuation and Aging Controls

Dear [Name],

In connection with our audit of the financial statements of [Company Name] for the period ending [Date], we have reviewed the internal controls related to Accounts Receivable (AR) valuation and the accuracy of aging reports. While our audit is not designed to provide assurance on internal controls, we noted certain matters that offer opportunities for strengthening your financial reporting processes.

1. Valuation of Accounts Receivable

Observation: [Describe current finding, e.g., The methodology for calculating the Allowance for Doubtful Accounts does not sufficiently reflect historical loss patterns or current economic conditions.]

Risk: Accounts receivable may be overstated, and bad debt expenses may not be recognized in the correct accounting period.

Recommendation: We recommend that management update the valuation policy to include a formal quarterly review of significant past-due balances and apply a probability-weighted assessment based on historical collection trends.

2. Accuracy of Aging Reports

Observation: [Describe current finding, e.g., Discrepancies were noted between the subsidiary ledger aging report and the general ledger control account due to manual entry errors.]

Risk: Inaccurate aging reports lead to flawed management decisions regarding credit limits and collection priorities.

Recommendation: Implement an automated reconciliation process between the AR aging sub-ledger and the general ledger. Any variances should be investigated and cleared by a supervisor independent of the invoicing process.

3. Review of Credit Limits and Overdue Accounts

Observation: [Describe current finding, e.g., Several customers with balances exceeding 90 days past due were permitted to place new orders without additional credit approval.]

Risk: Increased exposure to credit risk and potential write-offs.

Recommendation: Establish a system-driven "credit hold" for accounts reaching a specific aging threshold. Overriding these holds should require documented approval from the Credit Manager or CFO.

This communication is intended solely for the information and use of management and those charged with governance. We would be pleased to discuss these recommendations in further detail at your convenience.

Sincerely,

[Your Name/Signature]
[Your Title/Firm Name]