

Inventory Valuation Rationale

Date: [Insert Date]

To: [Recipient Name]

From: [Your Name]

Subject: Explanation of Inventory Valuation Method

Dear [Recipient Name],

I am writing to provide an explanation regarding the inventory valuation method utilized for our financial reporting as of [Insert Date]. After careful consideration, we have adopted the [Insert Valuation Method, e.g., FIFO, LIFO, Weighted Average Cost] approach for valuing our inventory.

The primary rationale for selecting this method is [Insert Rationale, e.g., aligning with market trends, better matching of costs with revenues, tax benefits, etc.]. This method provides a more accurate representation of our cost of goods sold and remaining inventory value on our balance sheet.

Additionally, the benefits of using this method include:

- [Benefit 1]
- [Benefit 2]
- [Benefit 3]

We believe that this approach will enhance the clarity and reliability of our financial statements and support our strategic decision-making processes.

Should you have any questions or require further clarification, please do not hesitate to reach out.

Thank you for your attention to this matter.

Sincerely,

[Your Name]

[Your Position]

[Your Company]