

Inventory Valuation Audit Report

Company Name: Acme Industries Ltd.

Report Date: June 30, 2024

Audit Period: Jan 1, 2024 - June 30, 2024

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1. Objective

The purpose of this report is to evaluate the accuracy and appropriateness of inventory valuation methods and controls as of the audit period end.

2. Audit Scope

- Physical inventory count and verification
- Assessment of inventory valuation methods (FIFO, LIFO, Weighted Average, etc.)
- Testing for obsolete or slow-moving inventory
- Verification of supporting inventory documentation

3. Inventory Valuation Summary

Category	Quantity	Unit Cost	Total Value	Valuation Method
Raw Materials	5,000	\$10.00	\$50,000.00	FIFO
Work in Progress	1,200	\$25.00	\$30,000.00	Weighted Average
Finished Goods	2,500	\$45.00	\$112,500.00	FIFO
Total Inventory Value			\$192,500.00	

4. Observations

- Physical count variances found in Finished Goods (see appendix for details).
- Some obsolete items identified in Raw Materials; recommended write-down of \$2,000.
- Valuation methods consistently applied in accordance with company policy.

5. Recommendations

- Enhance monitoring of slow-moving inventory to prevent overvaluation.
- Update inventory records more frequently to reduce physical count variances.
- Review and document justification for selected inventory valuation methods annually.

6. Conclusion

Based on the audit procedures performed, the inventory is fairly stated in all material respects, except for observed variances and obsolete items as noted above.

Important Notes

- Inventory valuation must comply with applicable accounting standards and company policy.
- Accurate inventory valuation is critical for reliable financial statements.
- Physical counts and reconciliation with records should be performed regularly.
- Clear documentation of valuation methods is required for audit transparency.