

Analysis of american eagle outfitters

Finance



Analysis of American Eagle Outfitters (AEO) Introduction AEO is a renowned clothing retailer company in U. S. The company is headquartered in Pittsburgh, PA. Established in 1977, AEO was a subsidiary of Retail Ventures Inc. and it was founded by brothers Mark Silverman and Jerry. It is the holding company of 77 kids and Aerie. AEO is a public traded company and its shares are currently trading at \$11.77 on NYSE (United States Securities And Exchange Commission-FY 2013). This research paper seeks to analyze American Eagle Outfitters' main core business activities and the auditor of the company. When analyzing the company's auditor, the research will draw from the current financial statements for the year ending February 2013 in an attempt to identify the name of the audit firm, whether the audit firm issued a combined for separate reports, the type of audit opinion provided and the auditor's view about internal control over fiscal reporting.

American Eagle Outfitters Main Business

AEO is a retailer company whose main business activity is clothing and accessories sold under its own private label brands. Its main products include footwear, apparel, personal care, accessories and lingerie, which is offered in a multi-brand targeting people in different ages. The American Eagle Outfitters most common brand targets both female and male aged 15 to 25 years. Its most popular products are polo shirts, low-rise jeans, swimwear, graphic T-shirts, Henley shirts, briefs and boxers. The Aerie lingerie brand targets females aged 15-21 years and it offers a variety of female wears including undergarments, dorm-wear, loungewear, sleepwear and active apparel. The company has experienced misfortunes while marketing its brands. For instance, failure of success by the Martin + Osa stand alone lifestyle concept brand led to its closure in 2006. It targeted women and men

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aged 28-40 years. Furthermore, its latest brand, 77 kids, which targeted children aged 2-10 years was also sold after experiencing after tax losses in 2012. American Eagle Outfitters has a worldwide presence in a number of international countries. The company has expanded to Canada, Puerto Rico, Egypt, Tokyo, Moscow, Dubai and Kuwait where it sells its clothing brands. With over nine hundred stores and 148 Aerie stand-alone stores, this clothing retailer is one of the largest in U. S having acquired revenues of \$ 3.48 billions in FY 2013 (United States Securities And Exchange Commission-FY 2013).

Company Auditor

AEO is a public company; therefore, it is required by law to appoint an independent external auditor to audit its financial statements. This is also a requirement compelled by the U. S SEC (Security & Exchange Commission), for all companies which trade their shares in U. S stock exchanges. American Eagle Outfitters is audited by Earnest & Young (EY), an accredited public accounting firm rated among the big four in U. S. EY audited the company's financial statements for the year ending February, 2013 (United States Securities And Exchange Commission-FY 2013).

The main responsibility of EY is to conduct an audit in accordance with the standards of U. S's Public Accounting Oversight Board and assess whether there is material misstatement on the financial statements. One of the most important aspects that EY considered in FY 2013 is the assurance/credibility of internal control system and financial statements. These two crucial items requires an auditor to be guided by Auditing Standard No. 2 which stipulates the procedures for an internal control audit over financial reporting performed simultaneously with the financial statements audit. Accordingly, <https://assignbuster.com/analysis-of-american-eagle-outfitters/>

Earnest & Young audited American Eagle Outfitters interior control over financial reporting and this was in accordance to FASB and based on criteria established by IFCSOTC and expressed its opinion on a combined report (United States Securities And Exchange Commission-FY 2013).

In every audit exercise of a public company, the external auditor gives a report or opinion which is either qualified, adverse or unqualified. The auditor issues this report for financial statements and for effectiveness of IC (internal control) over financial reporting. In the case of American Eagle Outfitters, the auditor's opinion on financial statements was unqualified. They represented the true and fair position of the company. Similarly, the auditor's opinion about the effectiveness of IC over financial reporting was unqualified and they were satisfied that it was based on criteria issued by Control-Integrated Framework. The auditors report was issued for the financial year ending February 2013 (United States Securities And Exchange Commission-FY 2013).

After the 2013 audit, it was the responsibility of the audit committee to discuss the audited results, their evaluation of ICS and the quality of the overall financial reporting. American Eagle Outfitters audit committee has the responsibility of carrying all its duties as outlined in its charter. In the FY 2013, the audit committee, in reliance on the discussion and reviews, recommended to the B. O. D that the financial statements be listed on Form 10-K for filing with SEC (United States Securities And Exchange Commission-FY 2013).

Conclusion.

The analysis of American Eagle Outfitters reveals that the company complies with all standards set by SEC for public traded companies in U. S, especially, <https://assignbuster.com/analysis-of-american-eagle-outfitters/>

management responsibility in regard to internal control as well as audit committee commitments to ensuring that they carry their tasks in accordance to their charter.

Work Cited

United States Securities and Exchange Commission- Washington, D. C.
20549 Form 10-K.

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