



# TMT insights: Financial reporting and accounting quarterly – Q1 2026

**A PwC report on emerging trends affecting technology, media  
and telecommunications companies.**



## In this edition:

- AI is reshaping how TMT companies build, sell, and monetize, increasing judgment in valuation, revenue recognition, and capital allocation.
- AI-driven investment across telecom, fiber, and data centers is bringing greater focus to execution, returns, capitalization, tax, and structuring.
- Tariff rulings, geopolitical conflict, and Pillar Two developments are increasing uncertainty and creating new financial reporting considerations.
- Standard-setting activity included several FASB updates, an AICPA working draft on “cheap stock,” and COSO guidance on internal control over AI.
- Regulatory developments include SEC comment letter trends, leadership changes, a review of Regulation S-K and quarterly reporting, and updates on EU and California climate reporting.

## Issue spotlight

Heading into Q2 of 2026, TMT finance leaders are navigating AI-driven business model shifts, tariff and tax uncertainty, and a regulatory agenda that’s raising the stakes for judgment, reporting, and governance.

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## Business update

AI is reshaping how TMT companies build, sell, and monetize, even as platform shifts, direct-to-consumer models, and infrastructure demands add complexity for finance leaders. In the first quarter of 2026, these trends increased the level of judgment involved in valuation, revenue recognition, and capital allocation, while tax and structuring considerations, especially for data centers, began shaping decisions earlier in the process.

### AI is reshaping software valuations and deal activity

In our view, the market is right that [a repricing is underway](#), but it's missing the mark on what should be repriced. Software remains an important asset class. AI just highlights the difference between durable platforms and replaceable tools. Platforms based on essential workflows, unique data, and deep industry expertise will, we believe, see their position strengthen. Those built on surface-level features and seat-based growth models face sharper pressure as AI lowers barriers and accelerates competition.

AI is also influencing [software M&A activity](#) in two competing ways. Companies are accelerating investment in capabilities, data and scale, while also directing capital toward internal build and infrastructure. This tension is contributing to greater selectivity in dealmaking, even as strategic interest remains strong. The next decade of successful software deals will be focused on [growth acceleration](#), pricing power, and defensibility beyond the code. When determining valuations, investors should be ruthlessly focused on how the AI roadmap is enhancing the moat of the business and aligning with customer behavior.

At the asset level, the basis for valuation is shifting. Differentiation is increasingly tied to how deeply products are embedded in workflows, the uniqueness of underlying data, and the strength of ecosystem connections. Tools with limited differentiation may face pressure as AI lowers barriers to replication, while platforms anchored in critical workflows may demonstrate more durable performance.

Monetization models are evolving in parallel. As AI reduces reliance on user-based pricing, companies are exploring outcome- and usage-based approaches. While these models may better align prices with delivered results, they can also introduce variability into revenue streams and require additional judgment in forecasting and revenue recognition.

## Platform models are expanding—but increasing complexity

Platform-based business models continue to gain traction across TMT, enabling companies to integrate products, data, and services into more connected ecosystems. This shift is supporting new revenue opportunities and deeper customer engagement, but it's also increasing operational and accounting complexity.

As companies move from standalone offerings to integrated platforms, commercial arrangements are becoming more multifaceted. Contracts may include bundled services, tiered pricing structures, and ongoing modifications, each of which can affect how revenue is recognized and reported.

At the same time, platform strategies are influencing how companies approach growth. The decision is often no longer limited to building or acquiring capabilities. Instead, companies are evaluating how to position themselves within broader ecosystems—whether by [enabling, orchestrating, or participating alongside partners](#).

For finance leaders, this places greater emphasis on aligning pricing strategies, contract structures, and reporting policies early in the development of platform offerings, rather than addressing these considerations after go-to-market execution.

## Sports and media continue to shift toward direct-to-consumer models

[Sports and media organizations](#) are increasingly operating as platform-driven businesses, with a growing focus on direct relationships with fans. Digital ecosystems are replacing fragmented customer journeys, allowing organizations to [unify ticketing](#), streaming, and engagement into more cohesive experiences. Forward-looking sports organizations have reinvented “digital fandom,” encouraging year-round engagement.

Membership-based models are gaining traction, offering ongoing access and benefits rather than one-time transactions. At the same time, direct-to-consumer distribution is creating new pathways for monetization, while reshaping traditional broadcast and licensing arrangements.

## Infrastructure investment is accelerating across telecom, fiber, and data centers

Infrastructure investment remains a central theme across TMT, with AI acting as a key driver of demand.

In telecom, companies are increasingly adopting [a dual-track approach](#)—deploying AI while modernizing core systems. This approach helps surface the operational inefficiencies often tied to fragmented data, integration challenges, or legacy processes. For finance teams, this can increase the importance of clear capitalization policies and stronger alignment between data, reporting, and control environments.

[In fiber](#), the market is shifting from rapid expansion to a greater focus on execution and returns. As growth moderates, attention is turning to consolidation, customer conversion, and long-term unit economics. At the same time, rising demand from AI-driven data centers is influencing how companies evaluate future network investments and capacity needs.

Data centers continue to play a critical role in enabling digital and AI-driven growth. Their development introduces a distinct set of considerations, [particularly in tax and structuring](#). Because data centers combine elements of real estate, infrastructure, and technology, they're subject to a range of tax regimes across jurisdictions. As a result, tax strategy is increasingly being evaluated alongside site selection, financing, and operational planning, rather than downstream consideration.

## Accounting update

In this issue, we highlight the accounting implications of recent developments involving tariffs, geopolitical conflict, and Pillar Two. We also provide updates on recent actions taken by accounting bodies, including the FASB and the AICPA.

## Recent tariff rulings, refunds, and reporting impacts

In February, the Supreme Court ruled that the International Emergency Economic Powers Act of 1974 (IEEPA) doesn't provide sufficient standalone authority for the President to impose tariffs. As a result, the tariffs that were levied in reliance on IEEPA were deemed by the Court to have been invalidly levied. However, the Court didn't address the remedy (e.g., refunds). That issue was remanded to the Court of International Trade (CIT), which subsequently ordered Customs and Border Protection (CBP) to begin issuing refunds for certain unliquidated entries (tariff entries that are open and not just finalized by U.S. Customs and Border Protection [CBP]). CBP is aiming to utilize a new Automated Commercial Environment (ACE) refund process that CBP noted will take at least 45 days from March 6, 2026, to develop. An appeal of the CIT ruling remains possible, and the path for tariff entries already liquidated (import entries for which CBP has finalized the tariff calculation) is less clear.

Following the Supreme Court's decision in the IEEPA case, a new global 10% tariff was imposed under Section 122 of the Trade Act of 1974. These tariffs are temporary (limited to a duration of 150 days), though an increase to the rate remains possible. Additional tariffs under Section 232 of the Trade Expansion Act of 1962 and Section 301 of the Trade Act of 1974 remain possible for specific industries and trading partners.

Tariffs continue to remain part of the operating environment and may have broad financial reporting implications, including impacts on estimates. Our publication, [Accounting implications of tariffs](#), was updated in March to add additional considerations related to tariff refund models and classifications and the indirect effects of the Supreme Court ruling on IEEPA tariffs. You can also check out our publication, [Q1 2026 Closing statements: Insights for controllers at quarter-end](#), as well as our March podcast episode, [Tariff uncertainty: Business and financial reporting impacts](#), for additional accounting and operational considerations related to tariffs.

# Financial reporting implications of geopolitical conflict

International conflict increases geopolitical risk and creates greater uncertainty in the global economic and operating environment. Recent developments in the Middle East, particularly related to the US military operations in Iran and the Iranian response, have deeply affected individuals and organizations across the region. The resulting environment has given rise to heightened uncertainty and risk worldwide. Although Iran has historically been subject to embargoes that restrict dealings and trade by US entities (including entities organized in the US and foreign subsidiaries of US entities), the conflict in Iran and collateral impacts to several countries in the surrounding region have triggered meaningful disruption in global markets.

The conflict in the Middle East may have a direct effect on US companies and their subsidiaries. Direct impacts may result from the disruption of maritime transit through the Strait of Hormuz, safety risks to personnel in the region, physical damage to buildings and facilities, and the reduced availability and increased cost of oil and gas. There may also be indirect effects, such as those related to global supply chain disruption, including vessel rerouting, port congestion, and extended transit times; volatility in global financial markets, including equity, commodity, foreign exchange, and interest rate markets; as well as inflationary pressure across industries and increased economic uncertainty.

Our publication, [Financial reporting implications of geopolitical conflict](#), addresses the accounting and reporting for common direct and indirect impacts that may arise from the current or future geopolitical conflicts.

## Pillar Two developments

In January, the OECD announced Administrative Guidance introducing the [Side-by-Side agreement](#) (SbS System) within the Pillar Two Global Anti-Base Erosion (GloBE) Model Rules. The SbS System allows countries with robust minimum tax regimes, such as the United States, to exempt their multinational enterprises from certain Pillar Two global minimum taxes. The OECD's Administrative Guidance is generally not considered tax law, as most jurisdictions with Pillar Two regimes in force will need further legislative action to incorporate the guidance into local law. Accordingly, the tax effects of the guidance should be accounted for in the period when the legislative steps are completed.

With some existing Pillar Two safe harbors expiring at the end of 2025 and the SbS System still not enacted in most jurisdictions, exemptions that previously shielded US groups from Pillar Two exposure have effectively fallen away. While the US has not adopted Pillar Two, starting in 2026, many countries' existing laws will subject US multinational entities to Undertaxed Profits Rule top-up taxes. Q1 2026 will therefore represent the first real test: a US multinational entity is required to assess, potentially for the first time, whether its US operations give rise to a Pillar Two top-up tax liability.

Controllers should continue to work with their tax teams in monitoring legislative developments and assessing potential top-up tax liabilities for the current financial reporting period. Tax law changes to enact the Administrative Guidance are expected throughout 2026 and even into 2027. Given the complexity and data intensity of Pillar Two computations, proactive cross-functional coordination, early modeling, and clear documentation of key assumptions will be important to support the top-up tax included in the estimated annual effective tax rate calculation. Check out PwC's [Pillar Two site](#) for further information and resources to support your Pillar Two journey.

# FASB updates

The FASB issued a number of ASUs in the second half of 2025, including ASU 2025-05, *Measurement of Credit Losses for Accounts Receivable and Contract Assets*; ASU 2025-06, *Targeted Improvements to the Accounting for Internal-Use Software*; ASU 2025-07, *Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration from a Customer in a Revenue Contract*; ASU 2025-08, *Purchased Loans*; and ASU 2025-12, *Codification Improvements*. We have updated several of our accounting guides to reflect the new guidance:

[Revenue from contracts with customers](#)

[Software costs](#)

[Derivatives and hedging](#)

[Property, plant, equipment and other assets](#)

[Loans and investments](#)

[Financial statement presentation](#)

While no final standards were issued in the first quarter of 2026, the FASB has continued to add technical and research projects to its agenda. Additionally, in March the Board decided to pause further deliberations on its Accounting for Debt Exchanges project until it evaluates further feedback on debt modifications and extinguishments.

The FASB updates its technical agenda periodically, generally when significant milestones are achieved on individual projects. Refer to the [agenda](#) for the latest updates.

## Other hot topics

### **AICPA issues working draft of updated “cheap stock” guide for public comment**

In January, the AICPA’s Financial Reporting Executive Committee (FinREC) issued for public comment a [working draft](#) of an updated AICPA Accounting and Valuation Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. There are substantive changes to several sections, including updated interpretive guidance on allocating value between different classes of securities in complex capital structures and the impact of secondary transactions. These updates will likely have significant implications for financial reporting valuations of private company common stock underlying stock-based compensation awards. Comments are due by June 1.

## COSO releases new thought leadership on achieving effective internal control over GenAI

In February, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) released its publication, [Achieving Effective Internal Control Over Generative AI \(GenAI\)](#), that provides a COSO-aligned approach to managing the risks and opportunities introduced by rapidly advancing GenAI technologies. This non-authoritative publication contains narrative guidance and examples that adapt the five components and 17 principles from COSO's 2013 Internal Control-Integrated Framework into GenAI-specific practices. It organizes GenAI use cases into eight types of capabilities and highlights how risks arising from each of the capabilities may impact financial reporting.

## Disaggregation of income statement expenses

In November 2024, the FASB issued [ASU 2024-03](#), Disaggregation of Income Statement Expenses (DISE), which requires additional disclosures about specific types of expenses included in the expense captions presented on the face of the income statement as well as disclosures about selling expenses. As companies are preparing to adopt the DISE standard, which is effective for public business entities for annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027, questions on the implementation of the standard continue to arise. Refer to our publication, [FASB issues new disaggregation expense disclosure requirements](#) (updated in November 2025) for additional insights.



For a complete list of recently issued accounting standards and their effective dates, including links to PwC resources, refer to [guidance effective for calendar year-end public companies](#) and [guidance effective for calendar year-end nonpublic companies](#) on our Viewpoint pages.

## Regulatory update

On the regulatory front, we provide updates on the SEC and other regulatory agencies across multiple frameworks.

## SEC comment letter trends

The SEC Division of Corporation Finance's filing review process monitors the disclosures made by registrants. Based on the analysis of comment letters publicly issued to TMT companies in the 12 months ending on December 31, 2025, the top five topics that generated the highest volume of SEC comments included: Management's Discussion and Analysis (MD&A); segment reporting; segment reporting; revenue recognition; and goodwill and other intangibles.

Check out [our summary](#) of current comment letter trends for TMT companies.

## SEC and PCAOB director and staff changes

The SEC made progress in January on filling key positions left vacant by resignations and retirements, including Deputy Chief Accountants within the Office of Chief Accountants, Deputy Directors within the divisions of Corp Fin and Enforcement, and an SEC Chief Counsel in the Office of the General Counsel. Additionally, the SEC [announced](#) the appointment of Demetrios (Jim) Logothetis as Chairman and Mark Calabria, Kyle Hauptman, and Steven Laughton as Board members of the PCAOB. George Botic will continue as a Board member and will remain as Acting Chairman until Mr. Logothetis is sworn in.

In March, the SEC [announced](#) that Judge Margaret Ryan resigned from her role as Director of the Division of Enforcement. Principal Deputy Director Sam Waldon has been named Acting Director of the Division in her place.

## SEC initiates comprehensive review of Regulation S-K

In January, SEC Chairman Paul Atkins issued a [statement](#) indicating he had instructed the Division of Corporation Finance to review the disclosure requirements of Regulation S-K, with a goal of “revising the requirements to focus on eliciting disclosure of material information and avoid compelling the disclosure of immaterial information.” Regulation S-K includes disclosure requirements across a range of matters, including risk factors, cybersecurity, MD&A, and executive compensation, among others.

Chairman Atkins encouraged members of the public to provide views on how the Commission should amend Regulation S-K. [Comments](#) are requested by April 13.

## SEC revisiting quarterly reporting requirements

The SEC is revisiting how often public companies report. With increasing speculation that a proposal weighing a shift from required quarterly Form 10-Qs to a semiannual cadence may be coming soon from the SEC, our recent podcast episode, [SEC to revisit quarterly reporting: Pros, cons, and what's ahead](#), explores what's driving the debate and the implications for companies, investors, and markets.

## EU Omnibus directive finalized

In February, the ‘Omnibus’ directive was published in the Official Journal of the European Union following its official adoption by the Council of the European Union. This directive is intended to simplify and reduce EU sustainability reporting rules.

Our publication, [‘Omnibus’ directive finalised](#), was updated in February to cover key aspects of the directive, including changes to the scope of entities subject to the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD).

# Climate disclosure regulation approved by the California Air Resources Board

In February, the California Air Resources Board (CARB) held a public hearing during which the board approved the adoption of the [proposed regulation](#) related to California's climate disclosure laws SB 253 and SB 261. The regulation establishes the definitions of terms used in scoping, the fee structure, and the SB 253 reporting deadline of August 10, 2026. The regulation approved by CARB is the same as that proposed for public comment in December 2025.

Before the final regulation can take effect, CARB staff are required to submit the regulatory package to the California Office of Administrative Law for final review and approval. CARB staff has also announced that it expects to issue a second rulemaking addressing details about reporting in 2027 and beyond—including deadlines, reporting requirements, and required assurance—in 2026. Our publication, [California climate reporting—SB 253 and SB 261 explained](#), was updated in March 2026 to reflect the CARB approval of the proposed regulations.

## About PwC's TMT industry practice

Our TMT practice is dedicated to helping business leaders in the technology, media, and telecommunications industries manage their complex businesses while delivering sustained outcomes. In doing so, we offer a range of capabilities, including risk, transformation, cloud and digital, deals, sustainability, cybersecurity and privacy, governance and boards, tax services, and much more. We are committed to advancing quality in everything we do.

## Let's talk

For deeper insights regarding the topics addressed in this latest edition of our [TMT insights: Financial reporting and accounting quarterly](#), please contact:



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