At a board meeting on 1 July 2012, Pulsar's directors made the decision to close down one of its factories on 31 March 20X3. The factory and its related plant would then be sold.

A formal plan was formulated and the factory's 250 employees were given three months' notice of redundancy on 1 January 20X3. Customers and suppliers were also informed of the closure at this date.

The directors of Pulsar have provided the following information:

Fifty of the employees would be retrained and deployed to other subsidiaries within the group at a cost of $125,000; the remainder will accept redundancy and be paid an average of $5,000 each.

Factory plant has a carrying amount of $2·2 million, but is only expected to sell for $500,000 incurring $50,000 of selling costs; however, the factory itself is expected to sell for a profit of $1·2 million.

The company rents a number of machines under operating leases which have an average of three years to run after 31 March 20X3. The present value of these future lease payments (rentals) at 31 March 20X3 was $1 million; however, the lessor has said they will accept $850,000 which would be due for payment on 30 April 20X3 for their cancellation as at 31 March 20X3.

Penalty payments due to non-completion of supply contracts are estimated at $200,000.

Required:

Explain and quantify how the closure of the factory should be treated in Pulsar's financial statements for the year ended 31 March 20X3.

Note: The closure of the factory does not meet the criteria of a discontinued operation.

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