**4.**

5. The management of Bayside Company is considering whether one of the department’s in its retail store should be eliminated. The contribution margin in the department is $150,000 per year. Fixed expenses allocated to the department are $130,000 per year. It is estimated that$120,000 of these fixed expenses will be eliminated if the department is discontinued.

Which costs are irrelevant to this decision? If the department is eliminated, what will be the impact on the company’s overall net operating income?