**4.** Mercer has three product lines in its retail stores: books, videos, and music. Results of the fourth quarter are presented below:

Books Music Videos Total

Units sold 1,000 2,000 2,000 5,000

Revenue $22,000 $40,000 $23,000 $85,000

Variable departmental costs 17,000 22,000 12,000 51,000

Direct fixed costs 1,000 3,000 2,000 6,000

Allocated fixed costs 7,000 7,000 7,000 21,000

Net income (loss) $ (3,000) $ 8,000 $ 2,000 $ 7,000

The allocated fixed costs are unavoidable. Demand of individual products are not affected by changes in other product lines.

**Instructions**

Should Mercer eliminate the Books product line? (10 points)