

XAT Decision Making

Sample Paper – 1

Duration: 48 Minutes

Maximum Marks: 21

Instructions

- This paper contains **21** Multiple Choice Questions (Single Correct Answer), modelled on the Decision Making section of **XAT** (Xavier Aptitude Test), conducted by XLRI.
- Each correct answer carries **+1 mark**, with **0.25 marks deducted** for every incorrect answer. (In the actual XAT you may leave up to **8** questions across Part 1 unattempted without penalty; thereafter each blank costs **0.10** marks.)
- The paper has **six caselets**, each describing a business or ethical situation and followed by a few questions.
- Choose the **most appropriate** option, that is, the action that is honest, fair to all stakeholders, and still workable. Decide **only** from the facts in the caselet; do not invent details.
- Attempt this practice paper in one timed sitting of about **48 minutes**. Use of mobile phones and electronic gadgets is prohibited.

Caselet I

Directions (Q1–Q4): Read the following situation and answer the questions that follow.

Ravi heads a project team at a consultancy. Days before a major deliverable, he discovers that Anita, a talented junior, made a small calculation error in a report already sent to an important client. The error is unlikely to be noticed and would not change the report's main recommendation, but it is factually wrong. Anita is anxious and afraid for her job; the client relationship is valuable; and the deadline for the next stage is tight.

Q1. What is the most appropriate course of action for Ravi?

- (A) Correct the report, send the client a brief honest note about the fix, and reassure Anita while coaching her on checks.



- (B) Quietly correct it only in future versions and never mention it, since the error is small.
- (C) Report Anita to senior management for disciplinary action straight away.
- (D) Ask Anita to go to the client alone and take the full blame herself.

Q2. The central dilemma Ravi faces is best described as:

- (A) whether Anita is competent enough to remain on the team.
- (B) whether the client can be persuaded to extend the deadline.
- (C) the tension between being honest with the client and protecting the firm's relationship and image.
- (D) whether consultancies should employ junior staff at all.

Q3. Which of the following would be the **least** appropriate action?

- (A) Correcting the report and informing the client honestly.
- (B) Coaching Anita on how to check her calculations in future.
- (C) Concealing the error and hoping the client never notices it.
- (D) Reviewing the team's quality-check process so it does not recur.

Q4. Choosing to hide the error would mainly rest on the assumption that:

- (A) the client will certainly discover the error later anyway.
- (B) Anita is bound to make the same mistake again.
- (C) the firm has no quality-check process of any kind.
- (D) the chance of being caught is low enough to make concealment worth the risk.

Caselet II

Directions (Q5–Q7): Read the following situation and answer the questions that follow.

Meera owns a mid-sized factory hit by a sudden downturn in orders. To keep the business alive she must cut costs quickly. Her options include laying off a fifth of the work-



force, cutting every worker's pay for a few months, or first reducing her own and her senior managers' salaries while she pushes hard to win new orders. Most of her workers have few other job options in the area.

- Q5.** What is the most appropriate first step for Meera?
- (A) Lay off a fifth of the workforce at once to cut costs as fast as possible.
 - (B) Do nothing for now and hope the downturn passes on its own.
 - (C) Cut only the lowest-paid workers' wages, since they are the cheapest to change.
 - (D) Reduce management pay first, chase new orders, and share the burden fairly before considering any layoffs.
- Q6.** Mass layoffs would most heavily affect which stakeholder?
- (A) The factory's competitors in other towns.
 - (B) The workers who lose their jobs and the families who depend on them.
 - (C) The firm's external auditors.
 - (D) The government's tax department.
- Q7.** Which principle best guides a fair decision here?
- (A) The owner should protect her own income before anything else.
 - (B) The cheapest option is always the most ethical one.
 - (C) In hard times the burden should be shared, with those who can bear more doing so first.
 - (D) Difficult decisions are best made without informing the employees at all.

Caselet III

Directions (Q8–Q11): Read the following situation and answer the questions that follow.



Arjun is a procurement manager choosing a supplier for a large order. One supplier's bid is the most expensive but promises the fastest delivery, and its representative privately offers Arjun a personal "gift" to smooth the deal. Company policy clearly forbids accepting gifts from suppliers. Arjun genuinely believes this supplier is the most reliable of the lot.

- Q8.** What should Arjun most appropriately do?
- (A) Decline the gift, evaluate every bid strictly on merit, and report the offer to his manager.
 - (B) Accept the gift but award the contract to the cheapest bidder to keep things fair.
 - (C) Accept the gift and award this supplier the contract, since he is reliable anyway.
 - (D) Decline the gift openly but still quietly favour this supplier in the scoring.
- Q9.** Why is accepting the gift a problem even if the supplier really is the best?
- (A) Because the supplier certainly cannot be trusted at all.
 - (B) Because accepting any gift is illegal in every country.
 - (C) Because the supplier's delivery is in fact the slowest.
 - (D) Because it compromises Arjun's impartiality and breaks company policy, whatever the supplier's merit.
- Q10.** On what basis should the contract be awarded?
- (A) The total value to the company, weighing price, reliability and delivery openly against the requirement.
 - (B) Whichever supplier offered the largest personal gift.
 - (C) The supplier that Arjun personally likes the most.
 - (D) The lowest price alone, ignoring reliability entirely.
- Q11.** If Arjun accepts the gift, the main long-term risk to the company is that:



- (A) future procurement decisions become biased and the company may steadily overpay.
- (B) the supplier will immediately refuse to deliver anything at all.
- (C) other managers will at once demand higher salaries.
- (D) the company will be forced to shut down the very next day.

Caselet IV

Directions (Q12–Q14): Read the following situation and answer the questions that follow.

Sara and Dev are equal co-founders of a growing company and now disagree on its future. Sara wants to grow fast by taking a large outside investment, even though it would dilute their control. Dev wants slow, self-funded growth so they keep full ownership. Both are hard-working and genuinely committed to the company's success.

- Q12.** What is the best way for them to move forward?
- (A) Sara should overrule Dev, because faster growth is always better.
 - (B) They should openly discuss their goals and risks and agree a middle path or a clear decision rule they both accept.
 - (C) Dev should step aside so Sara can run the company her own way.
 - (D) They should split the company between them immediately.
- Q13.** The real underlying issue between them is:
- (A) which of the two co-founders is more intelligent.
 - (B) the colour and design of the company logo.
 - (C) whether to hire a few more staff this month.
 - (D) a genuine difference in their goals and appetite for risk that has to be reconciled.
- Q14.** Which of the following would be a **poor** way to resolve the dispute?
- (A) Bringing in a trusted mentor to help mediate the discussion.
 - (B) One founder secretly signing an investment deal without telling the other.



- (C) Writing down agreed decision rights to handle future disputes.
- (D) Testing a small, reversible step before committing to either path fully.

Caselet V

Directions (Q15–Q18): Read the following situation and answer the questions that follow.

A retail chain notices that one of its store managers, Priya, records the highest monthly sales in the region but also receives by far the most customer complaints about aggressive and pushy upselling. Head office must decide how to respond to her results and the complaints together.

- Q15.** What is the most appropriate response from head office?
- (A) Promote Priya at once purely for her high sales figures.
 - (B) Dismiss Priya immediately because of the volume of complaints.
 - (C) Ignore both the sales and the complaints and leave things as they are.
 - (D) Recognise her strong sales but coach her to hit targets without the aggressive tactics that damage customer trust.
- Q16.** What do the complaints most likely signal for the long term?
- (A) Short-term sales may be gained at the cost of long-term customer loyalty.
 - (B) Customers never matter as long as monthly sales stay high.
 - (C) The store should simply be closed down without further thought.
 - (D) Complaints are always exaggerated and can safely be ignored.
- Q17.** Head office then finds that Priya's store has the region's *lowest* repeat-customer rate. This most strongly supports:
- (A) rolling out her selling model to every other store.
 - (B) the concern that her tactics win one-time sales but drive away repeat customers.
 - (C) ignoring the complaints entirely from now on.



(D) dismissing all the other managers in the region.

Q18. Which principle best fits this decision?

- (A) Results justify any means at all that are used to achieve them.
- (B) Managers should never be given feedback on their conduct.
- (C) Good performance should be rewarded, but not when it undermines the firm's longer-term interests.
- (D) Customer trust carries no real business value worth protecting.

Caselet VI

Directions (Q19–Q21): Read the following situation and answer the questions that follow.

A small town's only large factory quietly pollutes the local river, yet it also employs most of the town's working people. A new environmental rule would require a costly clean-up that the factory says it cannot afford all at once. The mayor must decide how to respond, balancing the town's livelihoods against the health of the river and its people.

Q19. What is the most balanced course of action for the mayor?

- (A) Phase in the clean-up over time with support for the factory to adopt cleaner methods, protecting both jobs and the river.
- (B) Order the factory to shut down at once to save the river.
- (C) Ignore the pollution altogether so as to protect the jobs.
- (D) Do nothing and let the townspeople settle the matter by rumour.

Q20. The core tension in this decision is:

- (A) whether rivers are important in general.
- (B) whether the mayor deserves to be re-elected.
- (C) the trade-off between protecting jobs now and protecting the environment and public health over time.
- (D) whether any factories should be allowed to exist at all.

Q21. Which additional step would best support a fair decision?



- (A) Deciding the matter secretly without consulting anyone.
- (B) Consulting the workers, the residents and independent experts before finalising the plan.
- (C) Asking only the factory owner what should be done.
- (D) Delaying any decision indefinitely so no one is upset.



Detailed Solutions

Q1.

Solution

What is asked: the most appropriate action on discovering the error.

Reasoning: The honest and workable choice is to correct the report and tell the client, while supporting the junior. Option A does all three: fixes the fact, keeps the client informed, and helps Anita improve. It protects both integrity and the relationship in the long run.

Why the other options are wrong:

- Option B: Concealment risks the firm's credibility and is dishonest.
- Option C: Rushing to discipline a talented junior for a small, first error is disproportionate.
- Option D: Making Anita face the client alone is unfair and dodges Ravi's own responsibility as lead.

Final Answer: Correct it, inform the client, support Anita ⇒

Answer: (A) [Go Back to Q1](#)

Q2.

Solution

What is asked: the central dilemma.

Reasoning: Ravi is pulled between telling the client the truth and protecting the firm's image and relationship. That is the real conflict driving the caselet. Option C names it exactly.

Why the other options are wrong:

- Option A: Anita's overall competence is not the issue over one small error.
- Option B: The deadline is context, not the core dilemma.
- Option D: Whether to employ juniors at all is far outside the situation.

Final Answer: Honesty versus protecting the relationship ⇒

Answer: (C) [Go Back to Q2](#)



Q3.

Solution

What is asked: the least appropriate action.

Reasoning: Concealing a known factual error and hoping it goes unnoticed is dishonest and risky. It is the one option that fails both integrity and prudence. So option C is least appropriate.

Why the other options are wrong:

- Option A: Correcting and informing the client is exactly the right thing.
- Option B: Coaching Anita is constructive.
- Option D: Improving the quality-check process prevents a recurrence.

Final Answer: Concealing the error is least appropriate \Rightarrow

Answer: (C) [Go Back to Q3](#)

Q4.

Solution

What is asked: the assumption behind hiding the error.

Reasoning: Someone would only conceal the error if they judged the odds of being caught low enough to risk it. That calculation is the hidden assumption. Option D states it.

Why the other options are wrong:

- Option A: If the client were sure to find it, concealment would make no sense.
- Option B: Anita repeating the error is not what concealment assumes.
- Option C: The presence or absence of a quality process is not the assumption at work.

Final Answer: The risk of being caught is low enough to chance it \Rightarrow

Answer: (D) [Go Back to Q4](#)



Q5.

Solution

What is asked: the most appropriate first step in the downturn.

Reasoning: A fair leader shares the pain and cuts from the top before hurting the most vulnerable. Option D reduces management pay first, seeks new orders, and treats layoffs as a last resort. It is both fair and workable.

Why the other options are wrong:

- Option A: Immediate mass layoffs harm those with the fewest options and skip fairer steps.
- Option B: Doing nothing risks the whole firm.
- Option C: Targeting only the lowest-paid is the least fair way to cut.

Final Answer: Cut from the top, seek orders, share the burden ⇒

Answer: (D) [Go Back to Q5](#)

Q6.

Solution

What is asked: the stakeholder most affected by mass layoffs.

Reasoning: The workers who would lose their jobs, and their dependent families, bear the heaviest and most direct loss, especially with few other jobs nearby. Option B identifies them.

Why the other options are wrong:

- Option A: Competitors are barely affected by Meera's staffing.
- Option C: Auditors are not materially harmed.
- Option D: The tax office is a distant, minor stakeholder here.

Final Answer: The workers and their families ⇒

Answer: (B) [Go Back to Q6](#)



Q7.

Solution

What is asked: the principle that best guides a fair decision.

Reasoning: Sharing the burden, with those most able to absorb it doing so first, is the fair rule in hard times. Option C captures this.

Why the other options are wrong:

- Option A: Protecting the owner's income first is self-serving, not fair.
- Option B: "Cheapest is most ethical" is simply false.
- Option D: Deciding without informing employees is neither fair nor practical.

Final Answer: Share the burden, strongest shoulders first ⇒

Answer: (C) [Go Back to Q7](#)

Q8.

Solution

What is asked: the most appropriate action on the gift offer.

Reasoning: The clean choice is to refuse the gift, judge all bids on merit, and report the offer. Option A keeps Arjun impartial, follows policy, and is transparent.

Why the other options are wrong:

- Option B: Taking the gift at all breaches policy, whatever the award.
- Option C: Accepting and awarding to the giver is plainly a conflict of interest.
- Option D: Declining openly but favouring quietly is dishonest and still biased.

Final Answer: Refuse, judge on merit, report the offer ⇒

Answer: (A) [Go Back to Q8](#)

Q9.

Solution

What is asked: why the gift is a problem even if the supplier is genuinely best.

Reasoning: The gift compromises Arjun's impartiality and violates policy regardless of the supplier's quality. The wrong lies in the conflict of interest, not in the supplier's merit. Option D states this.



Why the other options are wrong:

- Option A: The caselet says the supplier is reliable, so “cannot be trusted” is false.
- Option B: Gifts are not literally illegal everywhere; the issue is policy and bias.
- Option C: The supplier’s delivery is the fastest, not the slowest.

Final Answer: It compromises impartiality and breaks policy ⇒

[Go Back to Q9](#)

Q10.

Solution

What is asked: the correct basis for awarding the contract.

Reasoning: The award should rest on total value to the company, price, reliability and delivery weighed openly against the need. Option A describes exactly this fair basis.

Why the other options are wrong:

- Option B: Awarding by the size of a gift is corrupt.
- Option C: Personal liking is not a proper basis.
- Option D: Price alone ignores reliability, which the situation stresses.

Final Answer: Total value weighed openly ⇒

[Go Back to Q10](#)

Q11.

Solution

What is asked: the main long-term risk of accepting the gift.

Reasoning: Once a manager accepts gifts, decisions bend toward the giver and the firm gradually overpays or buys worse value. Option A captures this creeping bias.

Why the other options are wrong:

- Option B: The supplier refusing to deliver is not the natural consequence.
- Option C: Other managers’ salary demands are unrelated.



- Option D: A next-day shutdown is a wild exaggeration.

Final Answer: Biased decisions and steady overpaying ⇒

Answer: (A) [Go Back to Q11](#)

Q12.

Solution

What is asked: the best way for the co-founders to proceed.

Reasoning: Two committed, equal founders should talk through goals and risks and agree a middle path or a shared decision rule. Option B is collaborative and preserves the partnership.

Why the other options are wrong:

- Option A: “Faster is always better” overrides a genuine concern and a partner.
- Option C: Pushing Dev out throws away a committed co-founder.
- Option D: Splitting the company at once is drastic and premature.

Final Answer: Discuss openly and agree a shared rule ⇒

Answer: (B) [Go Back to Q12](#)

Q13.

Solution

What is asked: the real underlying issue.

Reasoning: Their clash is about different goals and different appetites for risk, fast growth with dilution versus slow growth with control. That is what must be reconciled. Option D names it.

Why the other options are wrong:

- Option A: The dispute is not about who is cleverer.
- Option B: The logo is trivial and irrelevant.
- Option C: Hiring this month is not the deep disagreement.

Final Answer: A genuine difference in goals and risk appetite ⇒

Answer: (D) [Go Back to Q13](#)



Q14.

Solution

What is asked: the poor way to resolve the dispute.

Reasoning: Signing an investment deal in secret betrays an equal partner and destroys trust. It is the clearly poor option. Option B.

Why the other options are wrong:

- Option A: A trusted mentor mediating is constructive.
- Option C: Written decision rights prevent future clashes.
- Option D: A small reversible test is prudent.

Final Answer: Secretly signing a deal behind the partner ⇒ **B**

Answer: (B) [Go Back to Q14](#)

Q15.

Solution

What is asked: the most appropriate response to Priya's results and complaints.

Reasoning: Recognise the genuine sales strength but fix the harmful method through coaching. Option D keeps the good and corrects the bad without over-reacting either way.

Why the other options are wrong:

- Option A: Promoting purely on sales ignores the damage to customer trust.
- Option B: Firing her outright discards real talent and over-reacts.
- Option C: Ignoring both signals is negligent.

Final Answer: Recognise sales, coach away the harmful tactics ⇒ **D**

Answer: (D) [Go Back to Q15](#)

Q16.

Solution

What is asked: what the complaints signal for the long term.

Reasoning: Aggressive upselling can lift today's sales while eroding the trust that brings customers back. Option A captures this short-term-versus-long-term trade-off.



Why the other options are wrong:

- Option B: “Customers never matter” is plainly wrong for a retail chain.
- Option C: Closing the store is an over-reaction, not what the complaints signal.
- Option D: Dismissing all complaints as false ignores real information.

Final Answer: Short-term sales at the cost of long-term loyalty ⇒

Answer: (A) [Go Back to Q16](#)

Q17.

Solution

What is asked: what the lowest repeat-customer rate supports.

Reasoning: A low repeat rate alongside high sales fits the picture of tactics that win a first sale but lose the customer afterwards. Option B draws exactly this supported inference.

Why the other options are wrong:

- Option A: The low repeat rate argues against copying her model everywhere.
- Option C: The data strengthens, not weakens, the case for heeding the complaints.
- Option D: Firing other managers does not follow at all.

Final Answer: Her tactics win one-time sales but lose repeats ⇒

Answer: (B) [Go Back to Q17](#)

Q18.

Solution

What is asked: the principle that best fits the decision.

Reasoning: Reward good performance, but not when it harms the firm’s longer-term interests such as customer trust. Option C states this balanced principle.

Why the other options are wrong:

- Option A: “Results justify any means” licenses the very harm at issue.
- Option B: Never giving feedback would leave the problem unfixed.
- Option D: Denying that trust has business value is false for a retailer.



Final Answer: Reward results, but not when they hurt the long term \Rightarrow

Answer: (C) [Go Back to Q18](#)

Q19.

Solution

What is asked: the most balanced course for the mayor.

Reasoning: A phased clean-up with support lets the factory adopt cleaner methods while keeping people employed. Option A protects both jobs and the river rather than sacrificing one for the other.

Why the other options are wrong:

- Option B: An immediate shutdown saves the river but devastates the town's livelihoods.
- Option C: Ignoring the pollution protects jobs at the cost of health and the law.
- Option D: Leaving it to rumour is an abdication of the decision.

Final Answer: Phase in the clean-up with support \Rightarrow

Answer: (A) [Go Back to Q19](#)

Q20.

Solution

What is asked: the core tension in the decision.

Reasoning: The mayor must weigh jobs and livelihoods now against the river and public health over time. That trade-off is the heart of the caselet. Option C names it.

Why the other options are wrong:

- Option A: Whether rivers matter in general is not the specific tension.
- Option B: Re-election is a side concern, not the core.
- Option D: Whether factories should exist at all is far outside the case.

Final Answer: Jobs now versus environment and health over time \Rightarrow

Answer: (C) [Go Back to Q20](#)



Q21.

Solution

What is asked: the step that best supports a fair decision.

Reasoning: Consulting the workers, residents and independent experts gathers every affected view before deciding. Option B makes the decision informed and fair.

Why the other options are wrong:

- Option A: Deciding in secret excludes the very people affected.
- Option C: Asking only the owner hears just one interested party.
- Option D: Indefinite delay avoids the responsibility to decide.

Final Answer: Consult workers, residents and experts \Rightarrow

[Go Back to Q21](#)



Answer Key

Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans
1	A	2	C	3	C	4	D	5	D
6	B	7	C	8	A	9	D	10	A
11	A	12	B	13	D	14	B	15	D
16	A	17	B	18	C	19	A	20	C
21	B								

