

XAT Decision Making

Sample Paper – 3

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.

Neha, a finance associate, is reconciling travel claims when she notices that Rohit, a popular senior in the sales team, has been inflating his expense claims by quietly adding small amounts to taxi and meal bills each month. The extra sums are individually minor but build up over time. Rohit is well-liked, mentors several juniors, and recently helped Neha settle into the firm. Company policy treats false claims as misconduct. Neha is unsure whether to overlook it, confront him privately, or raise it formally.

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

- (A) Ignore it, because the amounts are small and Rohit has been kind to her.



- (B) Quietly verify the figures, then report the pattern through the proper channel with the evidence.
- (C) Publicly accuse Rohit in the next team meeting so everyone knows.
- (D) Start padding her own claims too, since it seems to be accepted here.

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

- (A) whether she is skilled enough to audit expense claims.
- (B) whether the taxi company has been overcharging.
- (C) whether Rohit truly deserves his popularity.
- (D) the tension between personal loyalty to a helpful colleague and her duty to report dishonesty.

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

- (A) Checking the claims carefully before raising the matter.
- (B) Helping Rohit cover up the padding to protect his reputation.
- (C) Reporting the matter to the appropriate authority with the evidence.
- (D) Suggesting the firm tighten its expense-verification process.

Q4. Choosing to ignore the padding would mainly rest on the assumption that:

- (A) the amounts are too small to matter and no one is really harmed.
- (B) Rohit is certain to be caught by someone else soon.
- (C) the firm actually wants its staff to inflate their claims.
- (D) Neha will be promoted as a reward for staying silent.

Caselet II

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

Kabir runs a struggling three-year-old startup that is almost out of cash. To survive the next two quarters he must either lay off a third of his small team or take a high-interest bridge loan that could sink the company if revenue does not recover in time. His team is loyal and has worked for below-market pay. A few new client deals are close but not



yet signed. He also has the option of a smaller, staged cost cut combined with talking openly to the team and to lenders.

- Q5.** What is the most appropriate first step for Kabir?
- (A) Take the full high-interest loan immediately and hope revenue recovers.
 - (B) Be transparent with the team, make measured staged cuts, and pursue the near-closing deals before committing to a risky loan or mass layoff.
 - (C) Lay off a third of the team at once, without any discussion.
 - (D) Shut the company down today to avoid any further risk.
- Q6.** If Kabir takes the large high-interest loan and revenue still does not recover, who would bear the heaviest loss?
- (A) Kabir and his loyal employees, whose jobs and the whole company are put at risk.
 - (B) The lender's national banking regulator.
 - (C) The startup's possible customers ten years from now.
 - (D) Competing startups located in other cities.
- Q7.** Which principle best guides Kabir's decision?
- (A) Always take on debt, whatever the interest rate may be.
 - (B) Loyalty means never letting anyone go under any circumstance.
 - (C) Keep the team in the dark until a decision is forced on them.
 - (D) Weigh the survival of the business against the people it affects, and choose the option that is honest and gives the firm a realistic chance.

Caselet III

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



Tara is the brand manager for a packaged-juice company. Sales are flat, and her agency proposes an advertisement that calls the product “100% natural” in large type, with a tiny footnote admitting it contains added flavouring. The claim is technically within the law but likely to mislead ordinary buyers. Her sales head loves it, and a rival brand runs similar ads. Tara believes the ad would lift sales this quarter, yet it could erode customer trust if the truth spreads.

Q8. What should Tara most appropriately do?

- (A) Run the ad as proposed, since it is technically legal and rivals do the same.
- (B) Run the ad but shrink the footnote further to strengthen the effect.
- (C) Reject the misleading framing and approve honest messaging that states the real contents clearly.
- (D) Run the ad and blame the agency if customers later complain.

Q9. The central dilemma Tara faces is best described as:

- (A) whether the agency is talented enough for the account.
- (B) whether packaged juice should be sold at all.
- (C) whether the rival brand will take her to court.
- (D) the tension between a short-term sales lift and staying honest with customers.

Q10. Which principle should guide Tara’s choice?

- (A) An advertisement should be truthful and not mislead, even where a loophole makes deception legal.
- (B) Anything that is legal is automatically ethical.
- (C) Whatever rival brands do should always be copied.
- (D) Sales this quarter matter more than anything else.

Q11. Which of the following would be the **least** appropriate action?

- (A) Making the misleading footnote even smaller so fewer buyers notice it.



- (B) Approving clear, honest wording about the added flavouring.
- (C) Asking the legal and quality teams to review the claim.
- (D) Testing an honest campaign to see whether it can lift sales.

Caselet IV

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

At a manufacturing firm, a single discretionary budget of Rs 40 lakh can go to only one of two departments this year. Aarti heads Operations, which projects a return of **Rs 1.20** for every rupee spent. Sameer heads Marketing, which projects a return of **Rs 1.60** for every rupee spent, though with greater uncertainty. Both heads argue their case forcefully, and relations between them are turning sour. The CEO, Manoj, must allocate the budget fairly and still keep both leaders working together.

- Q12.** What is the most appropriate way for Manoj to allocate the budget?
- (A) Give the whole budget to Aarti, because Operations feels safer.
 - (B) Give the whole budget to Sameer, because the headline return is higher.
 - (C) Split it arbitrarily fifty-fifty just to avoid any argument.
 - (D) Decide on transparent criteria, weighing projected return against risk, and explain the reasoning openly to both heads.
- Q13.** Based only on the return figures given, which statement is best supported?
- (A) Operations will certainly deliver more total value than Marketing.
 - (B) The two departments are guaranteed to deliver identical returns.
 - (C) Marketing projects a higher return per rupee, but with more uncertainty, so risk must be weighed alongside the figure.
 - (D) The return per rupee is irrelevant to how the budget should be split.
- Q14.** Which of the following would most damage the working relationship between the two heads?



- (A) Allocating the budget secretly, without explaining the basis to either head.
- (B) Sharing the evaluation criteria openly with both of them.
- (C) Inviting both heads to present evidence for their projections.
- (D) Reviewing the actual outcome jointly at the end of the year.

Caselet V

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

Vivek manages a factory where an inspection reveals a machinery safety hazard that could injure workers. Fixing it properly would take four days and halt one production line, but a major shipment worth a large contract is due in three days. His plant head is pressing him to keep the line running and repair the fault “later.” The workers on that line are visibly uneasy. Vivek can stop the line and fix it, run it with a risky temporary patch, or keep it going and hope nothing goes wrong.

Q15. What is the most appropriate course of action for Vivek?

- (A) Keep the line running and repair the hazard after the shipment goes out.
- (B) Run it with an untested temporary patch and say nothing to the workers.
- (C) Halt the unsafe line, fix the hazard properly, and inform the client honestly while seeking a short extension.
- (D) Hide the inspection finding so that the shipment is not delayed at all.

Q16. The core tension Vivek faces is:

- (A) the trade-off between worker safety and meeting the shipment deadline.
- (B) whether the factory should be making this product at all.
- (C) whether the plant head deserves to keep his position.
- (D) whether safety inspections are ever genuinely useful.

Q17. Which action would be the **least** appropriate?



- (A) Stopping the line until the hazard has been repaired.
- (B) Telling the client honestly and asking for a short extension.
- (C) Concealing the safety finding and running the line to meet the deadline.
- (D) Assessing whether a genuinely safe temporary measure exists.

Q18. Choosing to keep the unsafe line running would mainly rest on the assumption that:

- (A) the workers actually want the line to be stopped.
- (B) no accident will happen in the next three days, so the risk is worth taking.
- (C) the client has already cancelled the whole contract.
- (D) the hazard cannot be repaired at all, ever.

Caselet VI

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

Deepa mentors a group of interns. One of them, Kunal, is exceptionally talented and produces excellent work, but he openly belittles his peers, dismisses their ideas, and has made two of them reluctant to speak up in meetings. The team's overall morale is slipping even as Kunal's individual output stays high. Deepa must decide how to respond, without either losing his talent or letting the rest of the team suffer.

Q19. What is the most appropriate way for Deepa to respond?

- (A) Ignore Kunal's behaviour, because his work is excellent.
- (B) Give Kunal clear, honest feedback about his conduct and set expectations for respect, while still valuing his talent.
- (C) Dismiss Kunal at once for his poor attitude.
- (D) Publicly humiliate Kunal in front of the team so he learns his lesson.

Q20. The core tension for Deepa is:

- (A) whether interns should be paid for their work.



- (B) whether Kunal is truly the most skilled of the group.
- (C) balancing the value of Kunal's talent against the harm his behaviour does to the team.
- (D) whether team meetings are necessary at all.

Q21. Which principle best guides Deepa's approach?

- (A) Talent excuses any behaviour towards one's colleagues.
- (B) Difficult team members should always be removed immediately.
- (C) A mentor should never correct a talented protege.
- (D) Individual talent should be nurtured, but not at the cost of respect and the wellbeing of the whole team.



Detailed Solutions

Q1.

Solution

What is asked: the most appropriate action on discovering the padded claims.

Reasoning: The honest and workable choice is to check the facts first and then report the pattern through the proper channel. Option B does exactly this: it verifies the evidence and routes it correctly. It respects both the truth and due process, without personal drama.

Why the other options are wrong:

- Option A: Ignoring known misconduct because of a personal debt is a failure of duty.
- Option C: A public accusation is humiliating, premature and unfair before verification.
- Option D: Copying the dishonesty makes Neha a wrongdoer herself.

Final Answer: Verify quietly, then report through the proper channel ⇒ **B**

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

Q2.

Solution

What is asked: the central dilemma.

Reasoning: Neha is pulled between loyalty to a colleague who helped her and her duty to report dishonesty. That clash of loyalty and duty is the real conflict. Option D names it precisely.

Why the other options are wrong:

- Option A: Her auditing skill is not in question here.
- Option B: The taxi company's pricing is not the issue; Rohit is inflating the bills.
- Option C: Whether Rohit deserves his popularity is beside the point.

Final Answer: Loyalty to a colleague versus the duty to report ⇒ **D**

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



Q3.

Solution

What is asked: the least appropriate action.

Reasoning: Actively helping to cover up the padding makes Neha complicit in the misconduct. It is the one option that is both dishonest and against policy. So option B is least appropriate.

Why the other options are wrong:

- Option A: Checking carefully before acting is responsible.
- Option C: Reporting with evidence is exactly the right thing.
- Option D: Tightening verification prevents a recurrence.

Final Answer: Helping cover up the padding is least appropriate ⇒ **B**

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

Q4.

Solution

What is asked: the assumption behind ignoring the padding.

Reasoning: Someone would overlook the claims only if they judged the sums too trivial to cause real harm. That judgement is the hidden assumption. Option A states it.

Why the other options are wrong:

- Option A is correct; the rest do not underlie a decision to ignore.
- Option B: Relying on someone else to catch him is not why one would ignore it.
- Option C: No firm openly wants inflated claims.
- Option D: A promotion for silence is not assumed by simply ignoring it.

Final Answer: The amounts are too small to matter and no one is harmed ⇒ **A**

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



Q5.

Solution

What is asked: the most appropriate first step in the cash crunch.

Reasoning: A responsible founder is honest with the team, cuts costs in measured stages, and chases the deals that are near closing before betting the company on a risky loan or mass layoff. Option B is both fair and workable.

Why the other options are wrong:

- Option A: A full high-interest loan gambles the whole firm on hope.
- Option C: Cutting a third of the team with no discussion is harsh and skips fairer steps.
- Option D: Shutting down today throws away deals that are almost signed.

Final Answer: Be transparent, cut in stages, pursue the near deals ⇒

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

Q6.

Solution

What is asked: who bears the heaviest loss if the loan fails.

Reasoning: If the high-interest loan cannot be repaid, Kabir and his loyal, underpaid employees lose their jobs and the company itself. They are the ones directly and most heavily affected. Option A identifies them.

Why the other options are wrong:

- Option B: The banking regulator is a distant party, not the one harmed.
- Option C: Hypothetical customers a decade away are barely touched.
- Option D: Competitors elsewhere are not harmed by this loan.

Final Answer: Kabir and his loyal employees ⇒

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



Q7.

Solution

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

Reasoning: The sound rule is to weigh the survival of the business against the people it affects and choose the honest option that gives a realistic chance of success. Option D captures this balance.

Why the other options are wrong:

- Option A: Taking on debt regardless of the rate is reckless.
- Option B: Never letting anyone go, whatever happens, can sink the whole firm.
- Option C: Keeping the team in the dark is neither honest nor practical.

Final Answer: Balance survival and people, choose honestly ⇒

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

Q8.

Solution

What is asked: the most appropriate action on the misleading ad.

Reasoning: The clean choice is to reject the misleading framing and approve honest messaging that states the real contents. Option C protects customer trust and Tara's integrity. A legal loophole does not make deception right.

Why the other options are wrong:

- Option A: "Legal and rivals do it" does not make an intentionally misleading ad honest.
- Option B: Shrinking the footnote makes the deception worse.
- Option D: Running it and blaming the agency is dishonest and cowardly.

Final Answer: Reject the misleading framing, message honestly ⇒

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



Q9.

Solution

What is asked: the central dilemma.

Reasoning: Tara is torn between a quick sales lift and being honest with customers. That trade-off drives the whole caselet. Option D names it.

Why the other options are wrong:

- Option A: The agency's talent is not the conflict.
- Option B: Whether juice should be sold at all is far outside the case.
- Option C: A lawsuit from the rival is not what the situation is about.

Final Answer: A short-term sales lift versus honesty ⇒

Answer: (D) [Go Back to Q9](#)

Q10.

Solution

What is asked: the principle that should guide the choice.

Reasoning: An advertisement should be truthful and not mislead, even where a loophole would make deception technically legal. Option A states this directly.

Why the other options are wrong:

- Option B: "Legal therefore ethical" is false; laws set a floor, not the whole of ethics.
- Option C: Copying rivals blindly is no principle at all.
- Option D: Putting one quarter's sales above everything justifies the deception.

Final Answer: Ads must be truthful, not merely legal ⇒

Answer: (A) [Go Back to Q10](#)



Q11.

Solution

What is asked: the least appropriate action.

Reasoning: Making the misleading footnote even smaller is a deliberate step to deceive more buyers. It is the clearly worst option. So option A is least appropriate.

Why the other options are wrong:

- Option B: Honest wording about the flavouring is exactly right.
- Option C: A legal and quality review is prudent.
- Option D: Testing an honest campaign is constructive.

Final Answer: Shrinking the footnote to deceive is least appropriate ⇒ **A**

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

Q12.

Solution

What is asked: the most appropriate way to allocate the budget.

Reasoning: Manoj should decide on transparent criteria that weigh projected return against risk, and explain the reasoning to both heads. Option D is fair, evidence-based, and keeps both leaders on board.

Why the other options are wrong:

- Option A: Handing it to Operations just because it “feels safer” ignores the actual numbers and risk.
- Option B: Choosing Marketing on the headline figure alone ignores its greater uncertainty.
- Option C: An arbitrary fifty-fifty split dodges the real judgement.

Final Answer: Transparent criteria weighing return against risk ⇒ **D**

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



Q13.

Solution

What is asked: the statement best supported by the return figures.

Reasoning: Marketing projects Rs 1.60 per rupee against Operations' Rs 1.20, so its return per rupee is higher, but the caselet says that projection carries more uncertainty. A sound reading weighs the higher figure against its greater risk. Option C says exactly this.

Why the other options are wrong:

- Option A: A projected figure does not make Operations “certain” to deliver more.
- Option B: The two returns are 1.20 and 1.60; they are not identical.
- Option D: Return per rupee is clearly relevant to the choice, not irrelevant.

Final Answer: Higher return per rupee for Marketing, but riskier ⇒

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

Q14.

Solution

What is asked: the step that would most damage the relationship between the heads.

Reasoning: Allocating the budget in secret, with no explanation to either head, breeds suspicion and resentment. It is the action most likely to sour their working relationship. Option A.

Why the other options are wrong:

- Option B: Sharing the criteria openly builds trust.
- Option C: Letting both present evidence is fair and inclusive.
- Option D: A joint year-end review keeps them aligned.

Final Answer: A secret, unexplained allocation ⇒

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



Q15.

Solution

What is asked: the most appropriate course of action on the safety hazard.

Reasoning: Worker safety comes first. Option C halts the unsafe line, repairs the hazard properly, and deals with the client honestly by seeking a short extension. It protects people while managing the contract responsibly.

Why the other options are wrong:

- Option A: Running an unsafe line and fixing it “later” gambles with workers’ safety.
- Option B: An untested patch, hidden from the workers, is both risky and dishonest.
- Option D: Hiding the finding endangers workers and deceives the client.

Final Answer: Halt the line, repair it, inform the client honestly ⇒

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

Q16.

Solution

What is asked: the core tension in the situation.

Reasoning: Vivek must weigh the safety of his workers against meeting the shipment deadline. That trade-off is the heart of the caselet. Option A names it.

Why the other options are wrong:

- Option B: Whether to make the product at all is not the issue.
- Option C: The plant head’s fitness for his role is a side point.
- Option D: Whether inspections are useful is not the tension here.

Final Answer: Worker safety versus the shipment deadline ⇒

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



Q17.

Solution

What is asked: the least appropriate action.

Reasoning: Concealing a known safety hazard and running the line to meet the deadline puts workers in danger and hides the truth. It is clearly the worst option. So option C is least appropriate.

Why the other options are wrong:

- Option A: Stopping the line until repair is the safe, correct step.
- Option B: Telling the client honestly and asking for time is responsible.
- Option D: Checking for a genuinely safe temporary measure is sensible.

Final Answer: Concealing the hazard to meet the deadline ⇒ C

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

Q18.

Solution

What is asked: the assumption behind keeping the unsafe line running.

Reasoning: One would run the hazardous line only by assuming no accident will occur in the next three days, so the gamble seems worth it. That is the hidden assumption. Option B states it.

Why the other options are wrong:

- Option A: The workers are uneasy; wanting the line stopped is not what running it assumes.
- Option C: If the contract were already cancelled, there would be no reason to rush the shipment.
- Option D: The hazard clearly can be repaired; that is not the assumption.

Final Answer: No accident will happen in three days, so it is worth the risk ⇒ B

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



Q19.

Solution

What is asked: the most appropriate way to handle the arrogant intern.

Reasoning: Deepa should give Kunal clear, honest feedback about his conduct and set expectations for respect, while still valuing his talent. Option B keeps the good and corrects the harm, without over-reacting either way.

Why the other options are wrong:

- Option A: Ignoring the behaviour lets team morale keep sliding.
- Option C: Dismissing him at once throws away real talent and skips a fair chance to improve.
- Option D: Public humiliation is cruel and damages the whole team.

Final Answer: Honest feedback and clear expectations, talent still valued ⇒ **B**

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

Q20.

Solution

What is asked: the core tension Deepa faces.

Reasoning: She must balance the value of Kunal's talent against the harm his behaviour does to the rest of the team. That is the real conflict. Option C names it.

Why the other options are wrong:

- Option A: Whether interns are paid is not the issue.
- Option B: Whether Kunal is the most skilled is not the tension; his conduct is.
- Option D: Whether meetings are necessary is beside the point.

Final Answer: Kunal's talent versus the harm to the team ⇒ **C**

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



Q21.

Solution

What is asked: the principle that best guides Deepa's approach.

Reasoning: Individual talent should be nurtured, but not at the cost of respect and the wellbeing of the whole team. Option D states this balanced principle.

Why the other options are wrong:

- Option A: "Talent excuses any behaviour" licenses the very harm at issue.
- Option B: Removing difficult people immediately wastes talent and skips coaching.
- Option C: Never correcting a talented protege abandons the mentor's duty.

Final Answer: Nurture talent, but not at the cost of the team ⇒ **D**

Answer: (D) [Go Back to Q21](#)



Answer Key

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

