

# XAT Decision Making

## Sample Paper – 4

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.*

Kabir is a loan officer at a bank. A loan application from the Malhotra Group, a large and influential client that brings the branch a lot of business, is clearly weak: the numbers fall short of the bank's lending criteria and the risk of default is high. The branch head has hinted strongly that Kabir should "find a way" to approve it so the client stays happy. Kabir knows the loan does not meet the standards that every other applicant must satisfy.

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

- (A) Approve the loan because the client is influential and may bring even more business.



- (B) Assess the loan strictly against the lending criteria, decline it if it fails, and record his reasons for his manager.
- (C) Approve it but hide the weak points from the credit committee.
- (D) Reject it rudely and publicly to prove that he cannot be pressured.

**Q2.** The central dilemma Kabir faces is best described as:

- (A) the tension between applying fair lending standards and giving in to pressure from a powerful client.
- (B) whether the bank should be lending money at all in the current market.
- (C) whether Kabir is qualified to work as a loan officer.
- (D) whether influential clients deserve faster service than others in general.

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

- (A) Approving the weak loan despite the shortfall to keep the influential client happy.
- (B) Explaining honestly to the client why the loan does not meet the criteria.
- (C) Telling his manager about the pressure he is under and seeking guidance.
- (D) Documenting the assessment objectively for the credit committee to review.

**Q4.** Choosing to approve the loan under pressure would mainly rest on the assumption that:

- (A) the client will move to another bank on the very same day.
- (B) pleasing the influential client outweighs the risk that the weak loan may not be repaid.
- (C) the bank has unlimited funds and cannot be harmed by any single loan.



- (D) the credit committee never reviews any of the loans that are approved.

### Caselet II

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

Rohan leads a product team that has taken thousands of paid pre-orders for a new device, promising delivery by a fixed date. A sudden parts shortage means shipping will slip by about two weeks. The marketing team worries that announcing the delay now will trigger a wave of cancellations, and suggests staying quiet in the hope that the parts arrive in time. Customers have already paid and are arranging their plans around the promised date.

- Q5.** What is the most appropriate step for Rohan?
- (A) Inform customers now, give them the revised date, and offer them the choice to wait or take a refund.
  - (B) Say nothing and hope the parts arrive so that no one ever notices the slip.
  - (C) Wait until the original date has passed and only then apologise for the delay.
  - (D) Announce a made-up reason unrelated to the parts shortage to sound more reassuring.
- Q6.** Who is the stakeholder most directly affected by how this delay is handled?
- (A) The customers who have paid and arranged their plans around the promised date.
  - (B) The company's outside advertising agency.
  - (C) The shareholders of the courier company.
  - (D) A rival firm selling a similar device in another country.
- Q7.** Which principle best guides the decision here?
- (A) Customers should be told only the good news and never the bad.



- (B) Customers deserve timely and honest information so that they can make their own decisions.
- (C) Any delay should be blamed on someone outside the company.
- (D) Silence is the safest choice whenever the news might upset customers.

### Caselet III

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

Deepak manages a sales team. Varun, his top performer, closes the biggest deals but often bends company rules, promising discounts he is not authorised to give and glossing over the fine print of contracts. Head office loves his headline numbers. Deepak has just pulled the figures: Varun books about Rs 40 lakh in sales each month, the highest on the team, but roughly 30% of his orders are later returned or cancelled, against a team average of only 8%.

**Q8.** What should Deepak most appropriately do?

- (A) Fire Varun immediately for breaking the rules, whatever his sales.
- (B) Ignore the rule-bending altogether because his sales figures are so high.
- (C) Value his selling ability but require him to follow the rules, coaching him and correcting the practices that drive the returns.
- (D) Promote him and quietly relax the rules for the whole team.

**Q9.** Varun's 30% return rate against the team's 8% most strongly indicates that:

- (A) Varun is the most reliable salesperson on the team.
- (B) returns are normal and have nothing to do with how he sells.
- (C) the rest of the team is performing very badly.
- (D) his rule-bending inflates headline sales that largely do not stick as real revenue.

**Q10.** Head office's praise of Varun rests mainly on the assumption that:



- (A) returns and cancellations are impossible to measure accurately.
- (B) rules exist only to be broken by the top performers.
- (C) other salespeople are secretly breaking even more rules.
- (D) headline sales figures reflect genuine performance, without accounting for returns and cancellations.

**Q11.** Which principle best fits this situation?

- (A) Genuine performance is measured by value that lasts and by fair means, not by headline figures alone.
- (B) Any method is acceptable so long as the top-line number stays high.
- (C) Rules should apply to weak performers but not to strong ones.
- (D) Customer returns are never the salesperson's concern.

#### Caselet IV

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

The city council owns a large vacant plot in a crowded neighbourhood. A developer offers to build a shopping mall on it, which would bring the city tax revenue and some jobs. The residents nearby, who have almost no open space, have instead asked the council to build a public park. The council must decide how to use this public land, weighing the money a mall would earn against the everyday needs of the people who live around the plot.

**Q12.** What is the most appropriate way for the council to decide?

- (A) Weigh the revenue against the residents' needs openly, consult the community, and choose the option that best serves the public interest.
- (B) Approve the mall at once simply because it brings in money.
- (C) Reject every proposal and leave the plot empty for good.
- (D) Let the developer decide, since he was the first to approach the council.

**Q13.** The core tension in this decision is:



- (A) whether malls are generally more attractive than parks.
- (B) whether the developer is a capable businessman.
- (C) the trade-off between the revenue a mall would bring and the residents' need for shared public space.
- (D) whether the city should own any land at all.

**Q14.** Whose interests are most directly at stake in this choice?

- (A) The developer's construction suppliers in another state.
- (B) The council members' chances of re-election.
- (C) The neighbourhood residents who have little open space and use this land every day.
- (D) National tourists who rarely visit the area.

### Caselet V

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

Ananya runs a publishing house that is under financial strain. A manuscript arrives that is sure to sell heavily, and its profit could stabilise the company for a year. But the book mocks a religious community in ways many people would find deeply offensive, even though it breaks no law. Her editors are divided: some point to free expression and the badly needed money, while others warn of real harm to the community and lasting damage to the publisher's name.

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

- (A) Publish it exactly as it is, because the profit will save the company.
- (B) Weigh the likely harm against the book's merit and the firm's values, and decline it or seek revisions if it only demeans a community for profit.
- (C) Reject all controversial books forever as a blanket rule.
- (D) Publish it secretly under a false publisher's name to avoid the blame.

**Q16.** The central dilemma Ananya faces is best described as:

- (A) whether the book will sell well, which is already known.



- (B) whether Ananya personally enjoys reading the manuscript.
- (C) the tension between much-needed profit and free expression on one side and real harm to a community and the firm's values on the other.
- (D) whether publishing houses should exist at all during hard times.

**Q17.** Choosing to publish the book unchanged, purely for the money, would rest mainly on the assumption that:

- (A) the book breaks the law and is certain to be banned.
- (B) the offended community will buy the largest number of copies.
- (C) the editors who object should be dismissed at once.
- (D) immediate profit matters more than the harm caused and the lasting damage to the publisher's name.

**Q18.** Which principle best fits this decision?

- (A) Anything that is legal is automatically the right thing to publish.
- (B) Profit should always override every other consideration.
- (C) A publisher owes nothing at all to the wider community.
- (D) Free expression carries responsibility, and profit should not come from needless harm to others.

### Caselet VI

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

Imran, a division head, receives a written complaint from a junior employee alleging that Mr Khanna, a respected senior colleague of long standing, has been falsifying his expense claims. The complaint is specific but so far unproven. Mr Khanna is popular and powerful, and Imran knows that acting on the report could be costly for him personally. Doing nothing, however, would leave a serious allegation unexamined and could let real wrongdoing continue.

**Q19.** What is the most appropriate course of action for Imran?

- (A) Dismiss the complaint because Mr Khanna is respected and senior.



- (B) Have the allegation examined fairly and confidentially on the evidence, protecting the whistleblower, whatever Mr Khanna's standing.
- (C) Punish the junior employee for daring to accuse a senior colleague.
- (D) Announce the accusation publicly before any of the facts are checked.

**Q20.** The central tension in Imran's situation is:

- (A) whether junior employees should ever be believed at all.
- (B) whether Mr Khanna deserves his good reputation in general.
- (C) the tension between examining a serious allegation fairly and the personal cost of acting against a powerful, respected colleague.
- (D) whether expense claims are necessary in a company.

**Q21.** Which of the following would be the **least** appropriate action?

- (A) Examining the evidence quietly before drawing any conclusion.
- (B) Keeping the whistleblower's identity protected from any retaliation.
- (C) Applying the same standards to Mr Khanna as to anyone else.
- (D) Ignoring the report and warning the junior employee to keep quiet.



**Detailed Solutions**

Q1.

**Solution**

**What is asked:** the most appropriate action on the weak loan.

**Reasoning:** The honest and workable choice is to judge the loan on the same criteria that apply to everyone, decline it if it fails, and record the reasons for his manager. Option B keeps Kabir fair, follows the bank's rules, and is transparent. It protects the bank from a bad loan without any drama.

**Why the other options are wrong:**

- Option A: Approving a weak loan just because the client is powerful is exactly the bias the criteria exist to prevent.
- Option C: Hiding the weak points from the credit committee is dishonest and dangerous.
- Option D: Rejecting it rudely and publicly is needlessly hostile and unprofessional.

**Final Answer:** Assess on the criteria, decline, and document ⇒ **B**

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

Q2.

**Solution**

**What is asked:** the central dilemma.

**Reasoning:** Kabir is pulled between applying fair lending standards and giving in to pressure from an influential client. That conflict is the heart of the caselet. Option A names it exactly.

**Why the other options are wrong:**

- Option B: Whether the bank should lend at all is far outside the situation.
- Option C: Kabir's own qualification is not in question.
- Option D: Whether powerful clients deserve faster service in general is not the specific dilemma.

**Final Answer:** Fair standards versus pressure from a powerful client ⇒ **A**

**Answer: (A)** [Go Back to Q2](#)



Q3.

**Solution**

**What is asked:** the least appropriate action.

**Reasoning:** Approving a loan that fails the criteria simply to keep an influential client happy is the one option that abandons fairness and prudence together. So option A is least appropriate.

**Why the other options are wrong:**

- Option B: Explaining honestly why the loan does not qualify is the right thing to do.
- Option C: Raising the pressure with his manager is sensible.
- Option D: Documenting the assessment objectively is exactly what he should do.

**Final Answer:** Approving the weak loan to please the client is least appropriate ⇒

**Answer: (A)** [Go Back to Q3](#)

Q4.

**Solution**

**What is asked:** the assumption behind approving the loan under pressure.

**Reasoning:** Someone would only approve the weak loan if they judged that keeping the powerful client happy was worth more than the risk of the loan not being repaid. That trade-off is the hidden assumption. Option B states it.

**Why the other options are wrong:**

- Option A: The caselet says nothing about the client leaving the same day.
- Option C: No bank has unlimited funds, and the caselet stresses the default risk.
- Option D: The credit committee clearly does review loans, so this assumption does not hold.

**Final Answer:** Pleasing the client outweighs the default risk ⇒

**Answer: (B)** [Go Back to Q4](#)



Q5.

**Solution**

**What is asked:** the most appropriate step on the shipping delay.

**Reasoning:** The honest choice is to tell customers now, give them the revised date, and let them choose to wait or take a refund. Option A respects the people who have already paid and lets them plan. It protects trust rather than gambling with it.

**Why the other options are wrong:**

- Option B: Staying silent and hoping is a gamble that betrays paying customers if it fails.
- Option C: Apologising only after the date has passed hides information customers need now.
- Option D: Inventing a false reason is plainly dishonest.

**Final Answer:** Tell customers now with the new date and a choice ⇒

**Answer: (A)** [Go Back to Q5](#)

Q6.

**Solution**

**What is asked:** the stakeholder most directly affected.

**Reasoning:** The customers have already paid and built their plans around the promised date, so they bear the most direct effect of how the delay is handled. Option A identifies them.

**Why the other options are wrong:**

- Option B: The advertising agency is only distantly involved.
- Option C: The courier's shareholders are not the ones harmed by this delay.
- Option D: A rival firm abroad is not affected by how these customers are treated.

**Final Answer:** The paying customers planning around the date ⇒

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



Q7.

**Solution**

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

**Reasoning:** Customers deserve timely, honest information so they can make their own decisions about waiting or refunding. Option B captures this and is the basis for lasting trust.

**Why the other options are wrong:**

- Option A: Telling only good news is deceptive.
- Option C: Blaming outsiders dodges responsibility and misleads.
- Option D: Silence when there is bad news treats customers as people to be managed, not informed.

**Final Answer:** Give customers timely, honest information ⇒ **B**

**Answer: (B)** [Go Back to Q7](#)

Q8.

**Solution**

**What is asked:** the most appropriate response to Varun's rule-bending.

**Reasoning:** The balanced choice values his real selling ability but insists that he follow the rules, coaching him and fixing the practices that cause the returns. Option C keeps the good and corrects the harm without over-reacting either way.

**Why the other options are wrong:**

- Option A: Firing him at once throws away genuine talent and skips the chance to correct him.
- Option B: Ignoring the rule-bending rewards the very behaviour that is hurting the company.
- Option D: Promoting him and relaxing the rules for everyone spreads the problem.

**Final Answer:** Value the ability, enforce the rules, coach him ⇒ **C**

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



Q9.

**Solution**

**What is asked:** what the 30% versus 8% return rate indicates.

**Reasoning:** A return rate almost four times the team average, sitting right alongside unauthorised discounts and glossed-over terms, shows that many of Varun's sales come back. His headline number therefore overstates the revenue that actually stays with the company. Option D draws exactly this supported inference.

**Why the other options are wrong:**

- Option A: A far higher return rate is the opposite of reliable.
- Option B: The gap from 8% to 30% is too large to call normal or unrelated.
- Option C: The data is about Varun's own orders, not the rest of the team.

**Final Answer:** His inflated sales largely do not stick as revenue ⇒

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

Q10.

**Solution**

**What is asked:** the assumption behind head office's praise.

**Reasoning:** Head office praises Varun only because it treats his headline sales as the true measure of performance, without subtracting the returns and cancellations. Option D states that assumption directly.

**Why the other options are wrong:**

- Option A: Deepak has already measured the returns, so they are clearly measurable.
- Option B: "Rules exist to be broken by top performers" is not what praise of a number assumes.
- Option C: Nothing suggests the rest of the team is breaking more rules.

**Final Answer:** Headline sales are taken as genuine performance ⇒

**Answer: (D)** [Go Back to Q10](#)



Q11.

**Solution**

**What is asked:** the principle that best fits the situation.

**Reasoning:** Real performance is the value that lasts, won by fair means, not the top-line figure on its own. Option A captures this and explains why the returns matter.

**Why the other options are wrong:**

- Option B: “Any method as long as the number is high” is exactly the thinking that caused the problem.
- Option C: Applying rules only to weak performers is unfair and self-defeating.
- Option D: Returns are very much the salesperson’s concern when his selling causes them.

**Final Answer:** Judge lasting value won by fair means, not headline figures ⇒

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

Q12.

**Solution**

**What is asked:** the most appropriate way for the council to decide.

**Reasoning:** The land is public, so the council should weigh the revenue against residents’ needs openly, consult the community, and choose what best serves the public interest. Option A is fair, transparent, and workable.

**Why the other options are wrong:**

- Option B: Approving the mall purely for the money ignores the residents who own the land as citizens.
- Option C: Leaving the plot empty for good serves no one.
- Option D: Letting the developer decide hands public land to a private interest.

**Final Answer:** Weigh both openly, consult, and serve the public interest ⇒

**Answer: (A)** [Go Back to Q12](#)



Q13.

**Solution**

**What is asked:** the core tension in the decision.

**Reasoning:** The council must weigh the revenue a mall would earn against the residents' need for shared open space. That trade-off is the heart of the caselet. Option C names it.

**Why the other options are wrong:**

- Option A: Whether malls are more attractive than parks in general is not the specific tension.
- Option B: The developer's ability is beside the point.
- Option D: Whether the city should own land at all is far outside the case.

**Final Answer:** Revenue from a mall versus residents' need for open space ⇒

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

Q14.

**Solution**

**What is asked:** whose interests are most directly at stake.

**Reasoning:** The neighbourhood residents have almost no open space and use this plot every day, so the choice affects them most directly. Option C identifies them.

**Why the other options are wrong:**

- Option A: Out-of-state suppliers are only distantly involved.
- Option B: The council members' re-election is a side concern, not the interest at stake.
- Option D: National tourists rarely visit and are barely affected.

**Final Answer:** The local residents who use this land daily ⇒

**Answer:** (C) [Go Back to Q14](#)



Q15.

**Solution**

**What is asked:** the most appropriate course of action on the manuscript.

**Reasoning:** The responsible choice is to weigh the likely harm against the book's merit and the firm's values, and to decline it or seek revisions if it only demeans a community for profit. Option B neither chases money blindly nor bans everything, and it thinks about the people who would be harmed.

**Why the other options are wrong:**

- Option A: Publishing it unchanged just for the profit ignores the real harm and the firm's name.
- Option C: A blanket ban on all controversial books over-reacts and abandons judgement.
- Option D: Publishing secretly under a false name is dishonest and cowardly.

**Final Answer:** Weigh harm against merit and values, revise or decline ⇒ **B**

**Answer: (B)** [Go Back to Q15](#)

Q16.

**Solution**

**What is asked:** the central dilemma.

**Reasoning:** Ananya is caught between much-needed profit and free expression on one side and real harm to a community and the firm's values on the other. Option C names both sides of that conflict.

**Why the other options are wrong:**

- Option A: Whether the book will sell is already known and settled.
- Option B: Her personal enjoyment of the manuscript is irrelevant.
- Option D: Whether publishers should exist in hard times is far outside the case.

**Final Answer:** Profit and free expression versus harm and the firm's values ⇒ **C**

**Answer: (C)** [Go Back to Q16](#)



Q17.

**Solution**

**What is asked:** the assumption behind publishing it unchanged for the money.

**Reasoning:** Publishing it as it is, purely for profit, only makes sense if one assumes the immediate money matters more than the harm caused and the lasting damage to the publisher's name. Option D states that assumption.

**Why the other options are wrong:**

- Option A: The caselet says the book breaks no law, so a ban is not assumed.
- Option B: There is no reason to assume the offended community will buy the most copies.
- Option C: Dismissing the objecting editors is not what the profit decision rests on.

**Final Answer:** Immediate profit outweighs the harm and reputation cost ⇒  D

**Answer: (D)** [Go Back to Q17](#)

Q18.

**Solution**

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

**Reasoning:** Free expression carries responsibility, and profit should not be earned by needlessly harming others. Option D states this balanced principle, which is the basis for weighing the manuscript honestly.

**Why the other options are wrong:**

- Option A: "Anything legal is automatically right to publish" ignores harm the law does not cover.
- Option B: Letting profit override everything is exactly the reasoning in question.
- Option C: A publisher does owe some duty to the wider community.

**Final Answer:** Expression carries responsibility; no profit from needless harm ⇒

D

**Answer: (D)** [Go Back to Q18](#)



Q19.

**Solution**

**What is asked:** the most appropriate course of action on the whistleblower report.

**Reasoning:** The fair and workable choice is to have the allegation examined confidentially on the evidence, protecting the whistleblower, no matter how senior or popular Mr Khanna is. Option B neither shields the powerful nor condemns anyone before the facts are in.

**Why the other options are wrong:**

- Option A: Dismissing the complaint just because Mr Khanna is respected lets seniority override the truth.
- Option C: Punishing the junior employee for reporting deters honest disclosure.
- Option D: Announcing the accusation publicly before checking is unfair to Mr Khanna.

**Final Answer:** Examine it fairly and confidentially, protect the whistleblower ⇒

**B**

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

Q20.

**Solution**

**What is asked:** the central tension in Imran's situation.

**Reasoning:** Imran must weigh examining a serious allegation fairly against the personal cost of acting against a powerful, respected colleague. That trade-off is the heart of the caselet. Option C names it.

**Why the other options are wrong:**

- Option A: Whether juniors should ever be believed is too sweeping and not the point.
- Option B: Mr Khanna's general reputation is not the specific tension.
- Option D: Whether expense claims are necessary is irrelevant.

**Final Answer:** Examining it fairly versus the personal cost of acting ⇒ **C**

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



Q21.

**Solution**

**What is asked:** the least appropriate action.

**Reasoning:** Ignoring the report and warning the junior employee to stay quiet buries a serious allegation and silences an honest reporter. It fails both fairness and duty, so option D is least appropriate.

**Why the other options are wrong:**

- Option A: Examining the evidence quietly before concluding is exactly right.
- Option B: Protecting the whistleblower from retaliation is proper.
- Option C: Applying the same standards to Mr Khanna as to anyone else is fair.

**Final Answer:** Burying the report and silencing the employee is least appropriate

⇒

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



**Answer Key**

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

