

# XAT Decision Making

## Sample Paper – 6

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.*

Kavya is an external auditor reviewing the accounts of a company owned by Nikhil, a close friend since college. She finds a small accounting irregularity: an expense recorded in the wrong period that slightly overstates this year's profit. The amount is modest and could be an honest slip. Correcting it is simple, but it would embarrass Nikhil and lower the reported profit. Their friendship is old and dear, while the entire value of her audit rests on her being independent and reporting what she finds honestly.

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

(A) Ignore the irregularity because it is small and Nikhil is a dear friend.



- (B) Quietly tell Nikhil to fix it next year and record a clean opinion for now.
- (C) Resign from the audit without telling anyone why, to avoid the awkwardness.
- (D) Raise the irregularity through the normal audit process, ask the company to correct it, and keep her review independent of the friendship.

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

- (A) whether Nikhil's company is profitable enough to continue trading.
- (B) whether small accounting errors are worth an auditor's time at all.
- (C) the tension between her professional duty to report honestly and her personal loyalty to a friend.
- (D) whether auditors should ever audit companies they have heard of.

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

- (A) Documenting the irregularity and asking the company to correct it.
- (B) Consulting her firm's ethics guidance on handling a conflict of interest.
- (C) Disclosing her friendship with Nikhil to her audit partner.
- (D) Signing off a clean audit in exchange for Nikhil's promise to fix it quietly later.

**Q4.** Choosing to overlook the irregularity would mainly rest on the assumption that:

- (A) the irregularity is certain to be caught by regulators anyway.
- (B) Nikhil is bound to repeat the same error every single year.
- (C) the audit firm has no independence rules of any kind.
- (D) personal friendship should outweigh the auditor's duty to report honestly.



**Caselet II**

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

Rohit runs operations at a packaging firm. A new automated line would save the firm about **Rs 40 lakh** a year and pay for itself in three years, but it would make **25 of the plant's 90 floor jobs** redundant. Many of the affected workers have served the firm for over a decade and would struggle to find similar work in the area. The owners want the saving; the workers fear for their livelihoods. Rohit must recommend whether and how to proceed.

- Q5.** What is the most appropriate way for Rohit to proceed?
- (A) Install the automation at once and lay off all 25 workers immediately to capture the full saving.
  - (B) Reject automation permanently so that no job is ever touched, whatever the cost to the firm.
  - (C) Phase in the automation while retraining and redeploying affected workers where possible, and easing out the rest fairly with notice and support.
  - (D) Automate in secret and let the workers discover the layoffs on the day they happen.
- Q6.** The data point that a Rs 40 lakh annual saving comes at the cost of 25 jobs is most useful because it:
- (A) proves that automation should always be rejected on principle.
  - (B) lets Rohit weigh the financial gain against the human cost rather than deciding blindly.
  - (C) shows that the 25 floor workers must be overpaid.
  - (D) guarantees that the new machines will never break down.
- Q7.** Who would be most directly affected by the automation decision?
- (A) The 25 floor workers who would lose their jobs and the families who depend on them.



- (B) The firm's overseas shareholders alone.
- (C) The machine supplier's accountant.
- (D) Customers of the firm's unrelated product lines.

### Caselet III

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

Farah manages a logistics team. Her subordinate Imran, usually careful, misreads a shipping instruction and sends a large consignment to the wrong city, costing the company a significant sum to reroute. It was an honest mistake, and Imran owned up to it at once. Company rules require losses of this size to be reported to senior management. Farah could quietly absorb the cost within her own budget and shield Imran, or she could report the loss as the rules require.

- Q8.** What should Farah most appropriately do?
- (A) Hide the loss within her budget and tell no one, to protect Imran.
  - (B) Report the mistake and recommend that Imran be dismissed for it.
  - (C) Blame the error on a different team member to deflect attention from her unit.
  - (D) Report the loss honestly as required, note that it was an honest error, and propose a fix so it does not recur.
- Q9.** Why should Farah report the loss even though the mistake was honest?
- (A) Because the rules require significant losses to be reported, and honesty upward keeps the whole system trustworthy.
  - (B) Because Imran has clearly shown he cannot be trusted with any task again.
  - (C) Because reporting will certainly get Imran fired, which he deserves.
  - (D) Because concealing a loss of this size is physically impossible.
- Q10.** Which of the following would be the **least** appropriate action?
- (A) Reporting the loss while defending Imran as a normally careful worker.
  - (B) Reviewing the instruction-checking process to prevent a repeat.



- (C) Giving Imran honest, constructive feedback in private.
- (D) Falsely recording the loss as a supplier's fault to keep it off the team's record.

**Q11.** Choosing to hide the loss would mainly rest on the assumption that:

- (A) Imran is certain to resign of his own accord anyway.
- (B) protecting one subordinate matters more than being honest with the company.
- (C) the company has unlimited money and can absorb any loss.
- (D) the misrouted shipment will somehow find its own way back.

### Caselet IV

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

Coach Sunil leads a football team into an important semi-final. His best striker, Vikram, broke a clear team rule by missing a compulsory training session and staying out late the night before the match. The rule applies to every player and Vikram knows it well. Benching him weakens the team's chance of winning; playing him signals that star players are above the rules. The rest of the squad are watching closely to see how Sunil responds.

**Q12.** What is the most appropriate action for Coach Sunil?

- (A) Play Vikram as usual and say nothing, because winning is all that matters.
- (B) Apply the rule consistently by sanctioning Vikram as the rule provides, and explain the decision honestly to the team.
- (C) Drop Vikram from the club permanently for this single lapse.
- (D) Secretly warn Vikram but still let him play, hiding the breach from the rest of the squad.

**Q13.** The central dilemma the coach faces is best described as:

- (A) whether football is worth playing at all.
- (B) whether Vikram is physically fit enough to last the full match.



- (C) the tension between winning this match and upholding team rules that apply equally to everyone.
- (D) whether the semi-final should simply be postponed.

**Q14.** Which of the following responses would be **least** appropriate?

- (A) Benching Vikram and explaining the reason to the squad.
- (B) Applying whatever sanction the team rules already specify.
- (C) Ignoring the breach entirely because Vikram is the star, while still punishing junior players for the same thing.
- (D) Discussing the incident privately with Vikram after the match.

### Caselet V

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

An Indian manufacturer led by CEO Neha plans to open a plant in a country whose safety and labour laws are far weaker than at home. Meeting only the local minimum would cut costs sharply, but it would mean lower safety standards and longer working hours for local workers than the firm allows at any of its other sites. The local law would permit this. Neha must decide what safety and labour standards the new plant will actually follow.

**Q15.** What is the most appropriate standard for the new plant to follow?

- (A) Apply the firm's own higher safety and labour standards even where the local law allows less.
- (B) Follow only the bare local minimum in order to cut costs as much as possible.
- (C) Open the plant with no written safety policy at all.
- (D) Enter the market and then lower standards even further to undercut local rivals.

**Q16.** Which principle best guides Neha's decision?

- (A) A firm should hold consistent ethical standards across all the countries where it operates, not just meet the lowest local bar.



- (B) Whatever the local law permits is automatically the right thing to do.
- (C) Costs should be cut by every means available, regardless of worker safety.
- (D) Standards only matter in the firm's home country.

**Q17.** Adopting only the bare local minimum would most directly affect:

- (A) the firm's home-country tax office.
- (B) the local workers, who would face lower safety and longer working hours.
- (C) unrelated firms in entirely different industries.
- (D) the firm's advertising agency.

**Q18.** Choosing to follow only the bare local minimum would mainly rest on the assumption that:

- (A) the firm's ethical duty to its workers stops at whatever the local law happens to require.
- (B) the plant will never actually be built at all.
- (C) local workers do not need to be paid any wages.
- (D) safety equipment is illegal in that country.

### Caselet VI

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

Deepa manages a residential building. A long-standing tenant, Mr Rao, who has paid his rent reliably for fifteen years, is in dispute with the landlord. The landlord wants to raise the rent sharply and has left a leaking roof unrepaired. In response, Mr Rao is withholding part of his rent until the roof is fixed. Both sides are angry, and each expects Deepa to take their side. She must mediate the dispute fairly and keep the building running.

**Q19.** What is the most appropriate way for Deepa to handle the dispute?

- (A) Hear both sides, get the roof repaired as the landlord's clear duty, and help them agree a fair rent while keeping communication open.



- (B) Automatically side with the landlord because he pays her management fee.
- (C) Automatically side with the tenant because he has lived there the longest.
- (D) Refuse to get involved and let the two of them fight it out alone.

**Q20.** The core tension Deepa must manage is best described as:

- (A) whether the building should be demolished.
- (B) whether Mr Rao deserves to live anywhere at all.
- (C) balancing the landlord's right to a fair return against the tenant's right to a habitable home and fair treatment.
- (D) whether property managers should exist as a profession.

**Q21.** Which step would best support a fair resolution?

- (A) Deciding the outcome secretly without hearing either party.
- (B) Setting out each side's obligations in writing, the repair duty and the agreed rent, so both know exactly what has been settled.
- (C) Threatening Mr Rao with eviction to end the argument quickly.
- (D) Ignoring the leaking roof since most of the rent still comes in anyway.



**Detailed Solutions**

Q1.

**Solution**

**What is asked:** the most appropriate action on finding the irregularity.

**Reasoning:** An auditor's entire worth is her independence, so friendship cannot change what she reports. Option D raises the issue through the normal process and has the company correct it, exactly as the audit demands. It is honest, fair and workable, and it still treats Nikhil with professional respect.

**Why the other options are wrong:**

- Option A: Ignoring a known error because of friendship is precisely the loss of independence to avoid.
- Option B: A "fix it next year" clean opinion certifies figures she knows are wrong.
- Option C: Resigning silently dodges her duty and leaves the error uncorrected for the next auditor.

**Final Answer:** Raise it, have it corrected, stay independent ⇒ **D**

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

Q2.

**Solution**

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

**Reasoning:** Kavya is pulled between her professional duty to report honestly and her personal loyalty to a close friend. That conflict is the heart of the caselet. Option C names it exactly.

**Why the other options are wrong:**

- Option A: The company's overall profitability is not what she is wrestling with.
- Option B: Whether small errors are worth auditing is a distraction, not the dilemma.
- Option D: Whether auditors may audit acquaintances at all is far outside the situation.

**Final Answer:** Duty to report honestly versus loyalty to a friend ⇒ **C**



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

Q3.

### Solution

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

**Reasoning:** Signing a clean audit in return for a private promise to fix things later certifies false figures and trades away independence. It is the one option that is both dishonest and against the rules. So option D is least appropriate.

**Why the other options are wrong:**

- Option A: Documenting and requiring a correction is exactly right.
- Option B: Consulting the firm's ethics guidance is prudent.
- Option C: Disclosing the friendship to her partner is the honest, transparent step.

**Final Answer:** A clean opinion traded for a quiet later fix  $\Rightarrow$   D

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

Q4.

### Solution

**What is asked:** the assumption behind overlooking the error.

**Reasoning:** Someone would only overlook it if they believed a friend's feelings should count for more than the auditor's duty to report the truth. That value judgement is the hidden assumption. Option D states it.

**Why the other options are wrong:**

- Option A: If regulators were certain to catch it, overlooking it would make no sense.
- Option B: Repeating the error every year is not what overlooking it assumes.
- Option C: Overlooking the error does not depend on the firm having no rules; it depends on choosing to ignore them.

**Final Answer:** Friendship should outweigh the duty to report  $\Rightarrow$   D

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



Q5.

**Solution**

**What is asked:** the most appropriate way to handle the automation.

**Reasoning:** Automation can be sound business, but the human cost must be handled fairly. Option C phases in the change, retrains and redeploys workers where it can, and eases out the rest with notice and support. It captures the benefit while treating loyal workers decently, so it is both fair and workable.

**Why the other options are wrong:**

- Option A: Immediate mass layoffs maximise the saving but ignore the workers entirely.
- Option B: Refusing automation forever whatever the cost can sink the firm and every job with it.
- Option D: Automating in secret and springing the layoffs is cruel and destroys trust.

**Final Answer:** Phase it in with retraining and fair support ⇒  C

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

Q6.

**Solution**

**What is asked:** why the Rs 40 lakh versus 25 jobs figure is useful.

**Reasoning:** Putting the money saved next to the jobs lost lets Rohit weigh the financial gain against the human cost instead of deciding blindly on one side alone. That is exactly what a good decision maker does with such a figure. Option B captures this.

**Why the other options are wrong:**

- Option A: The figure does not prove automation must always be rejected; it invites a balance.
- Option C: Nothing in the number shows the workers are overpaid.
- Option D: A cost saving says nothing about the machines never breaking down.

**Final Answer:** It lets him weigh gain against human cost ⇒  B

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



Q7.

**Solution**

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

**Reasoning:** The 25 floor workers who would lose their jobs, and the families who depend on them, bear the heaviest and most direct loss, especially with little similar work nearby. Option A identifies them.

**Why the other options are wrong:**

- Option B: Shareholders are affected, but far less directly than the people losing their livelihoods.
- Option C: The supplier's accountant has no real stake in the outcome.
- Option D: Customers of unrelated lines are barely touched.

**Final Answer:** The 25 workers and their families ⇒

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

Q8.

**Solution**

**What is asked:** the most appropriate action after Imran's mistake.

**Reasoning:** The rules require the loss to be reported, and honesty upward keeps the firm's records trustworthy. Option D reports it truthfully, notes that it was an honest error, and proposes a fix, which protects the company without scapegoating a good worker.

**Why the other options are wrong:**

- Option A: Hiding the loss breaks the rules and conceals real information from the company.
- Option B: Recommending dismissal for one honest first error is disproportionate.
- Option C: Blaming an innocent colleague is a plain lie and deeply unfair.

**Final Answer:** Report honestly, note the context, propose a fix ⇒

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



Q9.

**Solution**

**What is asked:** why the loss should be reported despite being an honest mistake.

**Reasoning:** The rules require losses of this size to be reported, and honest reporting upward is what keeps the whole system reliable. The duty to report does not depend on whether the error was deliberate. Option A states this.

**Why the other options are wrong:**

- Option B: One honest slip does not show Imran can never be trusted again.
- Option C: Reporting is not about getting Imran fired; that outcome is neither certain nor deserved.
- Option D: Whether concealment is physically possible is beside the point; it is dishonest either way.

**Final Answer:** The rules require it and honesty keeps the system trustworthy ⇒

A

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

Q10.

**Solution**

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

**Reasoning:** Falsely blaming the loss on a supplier is an outright lie that shifts blame onto an innocent party and corrupts the record. It is the one option that is dishonest. So option D is least appropriate.

**Why the other options are wrong:**

- Option A: Reporting while defending Imran's usual care is fair and honest.
- Option B: Reviewing the checking process prevents a repeat.
- Option C: Private, constructive feedback helps Imran improve.

**Final Answer:** Falsely blaming a supplier for the loss ⇒

D

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



Q11.

**Solution**

**What is asked:** the assumption behind hiding the loss.

**Reasoning:** Farah would only conceal the loss if she believed that shielding one subordinate mattered more than being honest with the company. That value judgement is the hidden assumption. Option B states it.

**Why the other options are wrong:**

- Option A: Imran resigning anyway is not what concealment assumes.
- Option C: Concealment does not rest on the company having unlimited money; the loss is real and significant.
- Option D: The shipment returning by itself is fanciful and not the assumption at work.

**Final Answer:** Protecting a subordinate outweighs honesty ⇒ **B**

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

Q12.

**Solution**

**What is asked:** the most appropriate action for the coach.

**Reasoning:** A rule that applies to everyone loses all meaning if the star is exempt. Option B applies the sanction the rule already provides and explains it openly, which keeps the rule credible and treats the squad fairly, without over-punishing.

**Why the other options are wrong:**

- Option A: Playing him and saying nothing tells the team stars are above the rules.
- Option C: Permanently dropping him from the club for one lapse is grossly disproportionate.
- Option D: A secret warning while he still plays hides the breach and is not consistent enforcement.

**Final Answer:** Apply the rule as written and explain it ⇒ **B**

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



Q13.

**Solution**

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

**Reasoning:** Sunil is torn between the wish to win the semi-final and the need to uphold team rules that bind everyone equally. That is the real conflict. Option C names it.

**Why the other options are wrong:**

- Option A: Whether football is worth playing is irrelevant to the choice.
- Option B: Vikram's physical fitness is not what is in question.
- Option D: Postponing the match is not on the table.

**Final Answer:** Winning now versus upholding shared rules ⇒

[Go Back to Q13](#)

Q14.

**Solution**

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

**Reasoning:** Ignoring the star's breach while still punishing juniors for the same thing is openly unfair and destroys the rule's credibility. It is the one clearly wrong option. So option C is least appropriate.

**Why the other options are wrong:**

- Option A: Benching him and explaining why is fair and consistent.
- Option B: Applying the sanction the rules already set is exactly right.
- Option D: A private word after the match is a reasonable follow-up.

**Final Answer:** Excusing the star but punishing juniors ⇒

[Go Back to Q14](#)



Q15.

**Solution**

**What is asked:** the most appropriate standard for the new plant.

**Reasoning:** What is legal is not the same as what is right; a weaker local law does not make unsafe conditions acceptable. Option A holds the firm's own higher safety and labour standards even where the law would allow less, protecting workers consistently everywhere.

**Why the other options are wrong:**

- Option B: The bare local minimum knowingly exposes workers to more danger to save money.
- Option C: Opening with no safety policy at all is reckless.
- Option D: Cutting standards even further to undercut rivals makes the harm worse.

**Final Answer:** Apply the firm's own higher standards ⇒

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

Q16.

**Solution**

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

**Reasoning:** A firm's ethics should not change at the border; consistent standards everywhere protect people and the firm's integrity alike. Option A states this principle.

**Why the other options are wrong:**

- Option B: "Whatever the law permits is automatically right" confuses legality with ethics.
- Option C: Cutting costs regardless of worker safety abandons the workers.
- Option D: Standards mattering only at home is exactly the double standard to avoid.

**Final Answer:** Hold consistent standards across all countries ⇒

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



Q17.

**Solution**

**What is asked:** the stakeholder most directly affected by adopting the local minimum.

**Reasoning:** Lower safety and longer hours fall directly on the local workers, who would bear the greater risk and strain. Option B identifies them.

**Why the other options are wrong:**

- Option A: The home-country tax office is not affected by the plant's safety standards.
- Option C: Firms in other industries have no stake in this choice.
- Option D: The advertising agency is unrelated to plant safety.

**Final Answer:** The local workers facing lower safety and longer hours ⇒ **B**

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

Q18.

**Solution**

**What is asked:** the assumption behind following only the local minimum.

**Reasoning:** Meeting only the bare minimum makes sense only if one assumes the firm's duty to its workers ends wherever the local law happens to stop. That assumption is what the choice depends on. Option A states it.

**Why the other options are wrong:**

- Option A stands; the rest do not.
- Option B: If the plant were never built, the standards question would not arise.
- Option C: Paying no wages at all is not what the minimum-standard choice assumes.
- Option D: Nothing suggests safety equipment is illegal there; the law simply does not require it.

**Final Answer:** The duty to workers stops at the local legal minimum ⇒ **A**

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



Q19.

**Solution**

**What is asked:** the most appropriate way to handle the dispute.

**Reasoning:** A fair mediator listens to both sides and holds each to its clear duties. Option A gets the roof repaired, which is the landlord's plain responsibility, helps agree a fair rent, and keeps communication open, so both parties are treated justly.

**Why the other options are wrong:**

- Option B: Automatically siding with the landlord abandons the tenant and true mediation.
- Option C: Automatically siding with the tenant is equally one-sided.
- Option D: Refusing to get involved lets a solvable dispute fester.

**Final Answer:** Hear both, fix the roof, agree a fair rent ⇒

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

Q20.

**Solution**

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

**Reasoning:** Deepa must balance the landlord's right to a fair return against the tenant's right to a habitable home and fair treatment. That trade-off is the heart of the caselet. Option C names it.

**Why the other options are wrong:**

- Option A: Demolishing the building is not in question.
- Option B: Whether Mr Rao deserves to live anywhere is not the issue.
- Option D: Whether property managers should exist is far outside the case.

**Final Answer:** Landlord's fair return versus tenant's habitable home ⇒

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



Q21.

**Solution**

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

**Reasoning:** Writing down each side's obligations, the repair duty and the agreed rent, makes the settlement clear and holds both parties to it. Option B turns the truce into something durable and fair.

**Why the other options are wrong:**

- Option A: Deciding secretly without hearing either party is the opposite of fair mediation.
- Option C: Threatening eviction bullies the tenant rather than resolving the dispute.
- Option D: Ignoring the leaking roof leaves the tenant's real grievance unaddressed.

**Final Answer:** Put both sides' obligations in writing ⇒

[Go Back to Q21](#)



**Answer Key**

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

