

Based on XAT

Number of Questions : 30

CEX-0515/18

Level – 1

Answer question no. 1 - 3 on the basis of information given in the following case.

Pupils' education is suffering because their teachers' pay is negotiated centrally, according to new research that finds a pupil's exam performance drops by an average of one GCSE grade when there is a 10% rise in local private sector salaries.

The study, by academics from the University of Bristol, analyzed data from around 3,000 state secondary schools in England, which educate 3 million children a year.

Current national pay scales for teachers allow for little regional variation; the average differential in teachers' wages between inner London and north-east England is 9% compared with 30% for private sector jobs, the study says. This can cause difficulties in recruitment and retention, especially of the best teachers, the paper's authors say.

Carol Propper and Jack Britton, of the Centre for Market and Public Organisation, write: "High ability teachers might decide to leave the profession, move within the profession to a region where the relative wage is higher, or be deterred from entering teaching in the first place." The study accounted for a school's intake to allow for different levels of difficulty in educating pupils of varying backgrounds. The research finds that a 10% increase in the average wage over five years is associated with a drop of one GCSE grade in one subject, per pupil.

The study's authors say the losses in school performance from keeping teachers' wages too low in expensive areas outweigh the gains from overpaying teachers in cheaper areas.

She said: "It is this government's policy of cutting the real and relative value of teachers' pay that will make teaching as a career much less attractive and cause real issues with recruitment and retention. As independent research has shown, removing centralised pay regulations for teachers would simply reduce teacher mobility and lead to teacher shortages in areas of lower pay."

1. Based on your understanding of the passage, identify the problem(s) highlighted in the passage.
 - A. The problem of teachers' pay being regulated centrally as opposed to other sectors.
 - B. Dipping grades of students.
 - C. Deterioration in the quality of education due to neglect from the teachers.
 - D. The problem of rising attrition rates in the education sector, especially in the teaching profession.
 - E. The problem of retaining and recruiting teachers.
- (a) A, B and E (b) B, C and E
(c) A, B, D and E (d) B and E
(e) All of the above

2. Given the merits and demerits of centralized pay system, which of the following qualifies for a good solution to the problem(s) highlighted in the passage?

- A. State should set local private sector companies as benchmarks to decide on the salary increments in different regions.
- B. State should abolish the centralized pay system completely and give schools the liberty to decide on the pay scales for their teachers.
- C. State should stick to centralized pay system as removing such regulations would only lead to reduced teacher mobility and teacher shortages in areas of lower pay.
- D. The pay system should be linked to performance and also depend on the region where the school is located.
- E. The pay system adopted must be revised regularly, like that in private sector companies, so that retention and recruitment do not become impediments in raising the status of the profession.

- (a) Only B (b) Only C
- (c) A and D (d) B and D
- (e) D and E

3. If the government continues with its centralized pay system as it is in the existing form, which of the following is a possible consequence in the future?

- A. London would see hoards of young people ready to pursue teaching irrespective of the pay scales.
- B. The grades of students would continue to get affected by the rising salaries in private sector.
- C. Teaching, as a profession, would start losing its charm.
- D. Teachers from lowly paid regions would flock to highly paid regions.
- E. Some of the best teachers would quit teaching for better prospects in other areas.

- (a) A and D (b) B and C
- (c) B, D and E (d) B, C, D and E
- (e) All of the above

Answer question no. 4 - 6 on the basis of information given in the following case.

On September 5, 2007, Apple, Inc.'s Steve Jobs announced a 33% price decrease in his company's newest gadget, the iPhone. The announcement came only ten weeks after the phone's initial introduction in late June. Billed as a revolutionary product that would change the mobile communications industry entirely, the iPhone retailed at \$599 in Apple and AT&T Wireless stores throughout the country. Unfortunately, the initiative set off a wave of backlash as early iPhone adopters flooded internet chat rooms and sent scathing emails to company executives exclaiming their distaste for the company's actions. Analysts and investors shared similar concerns as Apple's stock price dropped 6.1% on the date of the announcement amidst fears that the price reduction was fueled by weakening demand for the company's newest "blockbuster" product.

4. The early buyers see the price reduction in the iPhone as a breach of trust by the company. It is highly likely that they will resort to spreading negative publicity about the company. Which of the following, from the options given below, would be the best way to deal with the customers?

- (a) The gains that the company would accrue through the slash in the prices would far outweigh the loss through the negative publicity spread by the early buyers; therefore, the company can very well choose to ignore them.
- (b) The company can collaborate with the service providers so as to offer lower tariffs and other schemes to the early buyers to pacify them and win back their trust.
- (c) Communicate to the early customers that the newer models are inferior in quality to the ones bought by them.
- (d) Advertise that the price reduction is temporary; this would soothe the early customers as well as increase the sales.
- (e) Cite obsolescence of the technology used in the iPhone as the reason for the price reduction.

5. The stakeholders (analysts and investors) have shown similar concerns as the reduction in price has led to speculations about the plummeting demand of the company's products and adversely affected the stock prices. Which of the following, from the options given below, would be the best way to deal with the stakeholders?
- (a) Convince the stakeholders that the reduction in price is not a reactive but a proactive approach to capture greater market share.
 - (b) Promise them that the original prices will be back soon; stakeholders' concerns are of top priority.
 - (c) Increase the dividends paid out to the shareholders temporarily to distract them from the issue.
 - (d) Do not react to their concerns/apprehensions; it is normal for the stakeholders to oppose change.
 - (e) Promise to include them in the decision making process in the future.
6. Assume that Apple's move of reducing the price was a response to aggressive price war tactics from its competitors. Choose, from the following options, the best way that Apple could have adopted instead of lowering its prices to tackle the competition.
- (a) Buy out the competition; it will consolidate Apple's own position as well as remove the threat of reduction in market share.
 - (b) Price war is fuelled by reactions and counter-reactions; the best way should be to not become party to such tactics.
 - (c) Do not reduce the price but mitigate the advantage gained by the competitors by establishing that Apple's products are of better quality vis-à-vis the competing products.
 - (d) Offer freebies with the iPhone to attract the buyers and combat the competition.
 - (e) Launch a new range of low priced products with fewer features to tackle the competition.

Answer question no. 7 - 8 on the basis of information given in the following case.

German engineering giant Siemens, which is increasingly feeling the effects of the economic downturn, is to slash "thousands" of jobs, the financial daily Boersen Zeitung reported on Tuesday. Last month, Siemens chief executive Peter Loescher said the company was drawing up a programme to cut costs, boost productivity and efficiency. While the programme would not primarily be implemented by reducing the headcount, job cuts could not be ruled out completely, Loescher said at the time. At the end of July, Siemens warned that it would be harder to achieve its annual profit targets, as the gloomy global economic mood weighs on orders, especially in the field of renewable energy. It was the second time Siemens had been forced to revise down its targets this year.

7. Given above is a piece of news published in a leading German daily. Alexander, an excellent employee at Siemens, came across this news and is unsure about his stay in the company in the given scenario. From your understanding of the passage, advise Alexander regarding the same from the options given below.
- (a) Alexander should not resign/panic as he is a valuable resource of the company; it is unlikely that he would be asked to leave.
 - (b) Alexander should resign and start looking for jobs with immediate effect; given the situation layoffs are on the way.
 - (c) Alexander should not resign but express his fears/concerns to his immediate superiors/managers.
 - (d) Alexander should not resign but start looking for jobs to fall back on in case he is asked to leave.
 - (e) Alexander should not resign but discuss the situation with colleagues and try to get more information on the issue.

8. Alexander has decided to confront his boss, Mr. Johnson, regarding the speculation of “thousands of job cuts”. As Mr. Johnson, decide what should be the best response to Alexander’s queries from the given options.
- (a) Do not entertain such queries as it can spark off unnecessary rumours in the company.
 - (b) Tell Alexander not to pay attention to such speculation in the media.
 - (c) Advise Alexander to start looking for a job and leave the company before being asked to do so.
 - (d) Commit to Alexander that his job is safe.
 - (e) Tell Alexander what he is expected to know exactly and advise him to keep himself open to all possibilities.

Answer question no. 9 - 11 on the basis of information given in the following case.

The caller ID on Matthew Spark’s phone read “Kid Spectrum, Inc.” It was someone from the Orlando office, probably administrative director Ellen Larson. She had been in daily contact with Matthew since he purchased the company, a provider of in-home services for autistic children, eight months ago. “Matthew, it’s Ellen. I don’t want to bother you again, but we have a situation down here.” Matthew sat back in his chair and readied himself. The “situation” could be anything from the copier running out of ink to the building catching on fire. “I’m calling about Ronnie,” she said. Ronnie Emerson was director of clinical operations in Orlando, a position Matthew had created soon after taking the reins at Kid Spectrum. Ronnie, whose son had Asperger’s, had been working with special needs children his entire career and had been with the company for a decade. The other 40 clinicians on staff regularly turned to him for advice. So it had seemed like a no-brainer to promote him to a formal management role. “He’s not up to the job,” Ellen said now. “That’s a strong statement, Ellen,” Matthew said. “I know, but it’s true. He’s still resisting the new protocols for time sheets. It’s been eight months, and he has yet to complete them on time. You know the impact that has on insurer reimbursement. And he’s hardly ever here in the office.” “He’s supposed to be in the field

50% of the time. He still has clients.” “It’s more like 95%. I haven’t seen him since Thursday, and you know I’m always around.” Matthew sensed that Ellen was exaggerating, but he couldn’t be sure. “He doesn’t get that he’s a manager now,” Ellen said. “Not only does he fail to comply with your new systems, but he doesn’t seem to care if his clinicians do. I mean, he barely blinks when they call in sick. Right after Memorial Day we had 14 people out, and he didn’t do a thing. We spent the entire day scrambling to find subs.” “Well, that’s certainly not optimal,” Matthew said, worried his inexperience was showing. “Ellen, I really need to find out more before passing judgment on Ronnie. I know he’s more laid-back than you, but...” Matthew regretted his words immediately. Ellen was sensitive about the fact that people thought she was uptight. “Have you talked to him about any of this?” he asked quickly. “I mention the time sheets every time he calls in, and he promises to get to them. But then nothing happens.” “I’ll be down next week for the clinical team meeting. I’ll check in with Ronnie then. Like I said, I really need more information.”

The team meeting had run long, so most people rushed off to their next appointments. Matthew, who used the conference room as his office when he was visiting, opened his laptop to check e-mail but then noticed that a senior clinician, Maxine, was lingering in the doorway. “Maxine, can I help you with something?” he asked. “You’re getting an earful from Ellen about Ronnie, aren’t you?” Maxine closed the door behind her. Matthew was alarmed by her candor. The few times he had met with Maxine, she had seemed quiet. “Well, I can guarantee he’s not as bad as she says,” Maxine said. “He’s a really good guy. Y’all did the right thing by promoting him.” “I’m glad to hear that.” “You know, he’s told us about the new systems, like the one for turning in our hours, and we understand why they’re important. But Ronnie doesn’t drill down on us like Ellen does. She’s way too intense for how we do things here. She always has been. She’s supposed to be supporting us clinicians in our jobs, but she acts like we’re here to serve her. In my opinion, Ronnie focuses on what matters: the patients.” “The patients are important,” Matthew said, trying for diplomacy. “He understands what they need more than any of us, really—with

his son and all.” “OK, Maxine. Thanks for that input.” She turned to open the door, and then paused. “If you ask me,” she said, “Ellen’s the one who’s trouble.”

Later that day Matthew was in his makeshift office waiting for Ronnie, who was nearly 20 minutes late for their 3:00 appointment. “I’m so sorry I’m late.” Ronnie walked in and shut the door behind him. “I was with a client, Harry. Eight years old, such a good kid, but he’s struggling with school and his aide seems like she wants to give up. But we were making such strides today.” Matthew appreciated how dedicated Ronnie was. “I wanted to see how things are going with you and your team, particularly with the new systems, the time sheets.” “Well, we’re easing into them, you know. These clinicians aren’t worker bees. They’re used to being with kids, helping kids, so they need time.” “We could do another training session if you thought it made sense.” “No, no, I don’t think that’s necessary,” Ronnie said. “We just need more time. All this emphasis on efficiency is new for us. We’re dealing with some rough cases, families under a lot of stress. You can’t just zip in and zip out because that’s what a time sheet calls for.” Matthew nodded. “Of course, the client comes first. That’s what’s kept us in business for so long. But we won’t *stay* in business without becoming more profitable. No insurer will pay us without the proper paperwork. If we want to grow the business—and help more kids—we need to follow these new protocols. And we can’t have a quarter of our staff out every holiday.” “I know who’s complaining about that. Ellen. She acts like we’re in the military. Time sheets on time. No one gets sick. It’s just not realistic. She was obsessive before, but now it’s getting ridiculous.” Ronnie paused and swallowed. “It’s like you’ve given her a license to be more uptight.” “As the administrative director, she needs accountability from you and your team, Ronnie.” “And she has it. But I need a certain amount of flexibility so that I can meet the needs of the kids. And, frankly, she needs to back off.” Ronnie’s face had turned red. This was the most worked up Matthew had ever seen him.

9. Which of the following could have been a better response of Ellen towards Ronnie’s reluctance to turn in the time sheets?
 - (a) Request Matthew to step in right in the beginning so that the implementation of the protocols is not delayed further.
 - (b) Talk through the matter with Ronnie trying to convince him rationally of the importance of time sheets.
 - (c) Confront Ronnie directly and demand an explanation regarding the delay in implementing the protocols.
 - (d) Escalate the matter and let the management take a call; they are better equipped to deal with the issue.
 - (e) Do not bring up the issue with Ronnie or the management at all, her job was to tell Ronnie to submit the time sheets, if he does not, it is his fault.
10. Which of the following is not one of the problems that ‘Kid Spectrum’ is facing?
 - (a) Lack of co-ordination/understanding between the employees of Kid Spectrum.
 - (b) Lack of clarity of role and goals of the organization.
 - (c) Employees’ lack of confidence in the management.
 - (d) Differing priorities of the employees directed towards the success of the organization.
 - (e) Lack of constructive communication between the employees.
11. According to the passage, which of the following would serve as the best response(s) on Matthew’s part to resolve the Ellen-Ronnie issue?
 - (a) He should sit with Ellen and Ronnie separately and put the other person’s genuine concerns forward making them understand the problems and limitations of each other.
 - (b) Segregate their departments in such a way that they don’t cross each other’s paths professionally.
 - (c) Matthew must align the objectives of both the managers with each other ensuring they are working towards a common goal.

- (d) Visit the Orlando office on a weekly basis along with keeping himself updated of the daily happenings through technology.
- (e) He should mediate between the two of them suggesting a middle path that is not very liberal with the protocols but still flexible enough to accommodate the working styles of the clinicians.

Level – 2

Answer question no. 12 -14 on the basis of the information given in the following case.

Due to increased competition, Ginger Automobiles, the Indian subsidiary of Pepper Automobile Company (PAC) reported lower sales and profits. PAC expects its new model *Limo*, developed especially for value conscious customers of India and China, would revive its fortunes. In order to prevent customers from buying competing products, PAC announced the launch of *Limo* six months before schedule. Due to unrest in its Indian supplier's plant, deliveries of essential components for its main plant was hampered, and hence it decided to launch *Limo* in China only as per the original plan. Within a short span of time, *Limo* captured 30% market share in China, which was 200% higher than expected. Indian customers who had looked forward to purchasing *Limo* were becoming increasingly unhappy to the non-availability of *Limo* in the India. Ginger's dealers were worried about loss of business from the customers who might switch to other cars.

12. **Statement I:** In the Chinese market, *Baft*, and *Hebe*, are competing models in *Limo*'s target market. Due to increase in sales of *Limo* by 200%, *Baft* and *Hebe* saw their market share decline by 10%.

Statement II: *Baft* and *Hebe* were not desired by the customers due to their new features. Which of the following conclusions can be most justifiably made?

- (a) I alone
- (b) II alone
- (c) Either I or II
- (d) Neither I nor II
- (e) I and II together

XAT - 2012

13. Unhappy customers will not only leave the company, but also spread negative publicity about the company. The best way, among the options below, to deal with customers is:
- (a) suggest to customers to wait.
 - (b) suggest to customers to consider purchasing any of the other PAC's models available in showrooms, with a substantial discount along with gifts.
 - (c) suggest to PAC to treat Indian and Chinese markets equally.
 - (d) promise the top management of PAC higher sales/profit from Indian market compared to Chinese market.
 - (e) suggest to the top management of PAC to manufacture essential components in either India or China.

XAT - 2012

14. Mr. Murugan from Chennai experienced the comfort of *Limo* during his visit to China. He was willing to deposit an approximate price of *Limo* to buy the first available unit from Mr. Ahmed, a dealer in Chennai, known for fair dealing. Ginger Automobile is yet to announce the actual price, and the process for allocation of the vehicles. In order to maximise his cash flow, Mr. Ahmed should
- (a) collect the amount from Mr. Murugan. Later when the delivery is delayed, blame it on PAC's problems.
 - (b) collect 50% as advance and the remaining 50% after the confirmation of launch date by Ginger Automobiles.
 - (c) collect the amount Mr. Murugan is willing to deposit after clarifying that delivery is subject to the company policy.
 - (d) not collect the amount, but suggest to Mr. Murugan to write to Ginger Automobiles.
 - (e) collect the amount and transfer it to the account of Ginger Automobiles, instead of keeping it in his personal account.

XAT - 2012

Answer question no. 15-17 on the basis of the information given in the following case.

Dev Anand, CEO of a construction company, recently escaped a potentially fatal accident. Dev had failed to notice a red light while driving his car and attending to his phone calls. His well-wishers advised him to get a suitable replacement for the previous driver Ram Singh, who had resigned three months back.

Ram Singh was not just a driver, but also a trusted lieutenant for Dev Anand for the last five years. Ram used to interact with other drivers and gathered critical information that helped Dev in successfully bidding for different contracts. His inputs also helped Dev to identify some dishonest employees, and to retain crucial employees who were considering attractive offers from his competitors. Some of the senior employees did not like the informal influence of Ram and made it difficult for him to continue in the firm. Dev provided him an alternative job with one of his relatives.

During the last three months Dev has considered different candidates for the post. The backgrounds of the candidates are given in the table below.

Name	Age	Educational Qualification	Experience	Expected Salary (₹)	Remarks
Sunder	32	Post graduate	Seven years of driving experience	18,000 per month	Ex-employers are highly satisfied. Their only concern is about his tendency to switch jobs after every six months. Enjoys the newness in every job but tends to lose interest after six months. Not willing to commit for any more than six months
Mani	23	Studied up to Standard IX	One year	8,000 per month	Claims to have more than one year of experience, but can't provide any certificate to substantiate it. He has received a hike of ₹ 2,000 last month on account of his good performance as a driver.
Chintan	44	Graduate	20 years	20,000 per month	Working as a driver for the last one year after losing his previous job of a stenographer. He has been forced to take up the job of a driver.
Bal Singh	40	Literate	More than 20 years	15,000 per month	Cousin of Ram Singh. Substituted Ram as Dev's driver whenever Ram was on leave. Currently working as a driver with Dev's in-laws. Strongly recommended by Ram. His knowledge and contacts in the firm is as good as Ram's.
Chethan	38	Standard XII	10 years	12,000 per month	Working as a temporary driver with Dev's major competitor for the last three years. The competitor has offered Chethan's service to Dev on a temporary basis. Chethan has also expressed his willingness to work on a long term basis, provided he is given an annual increment of ₹ 500, which is reasonable as per the market condition.

Dev is primarily looking for a stable and trustworthy driver, who can be a suitable replacement for Ram. His family members do not want Dev to appoint a young driver, as most of them are inexperienced. Dev's driver is an employee of the firm and hence the appointment has to be routed through the HR manager of the firm. The HR manager prefers to maintain parity among all employees of the firm. He also needs to ensure that the selection of a new driver does not lead to discontent among the senior employees of the firm.

15. Who among the following five candidates is most likely to be rejected by the GM (HR)?
 (a) Chethan (b) Chintan
 (c) Bal Singh (d) Mani
 (e) Sunder

XAT - 2012

16. From his perspective, and taking into account the family's concerns, Mr. Dev would like to have
 (a) Chethan (b) Chintan
 (c) Bal Singh (d) Mani
 (e) Sunder

XAT - 2012

17. In order to resolve the conflicting preferences, one of Dev's friends suggested Dev, his family members and the HR manager to identify their most and the least preferred candidates without considering the concerns of other stakeholders.
- I. Dev's most and least preferred candidates: Bal Singh and Chetan respectively
 - II. Family members' most and least preferred candidates: Bal Singh and Chintan respectively
 - III. HR manager's most and least preferred candidates: Chethan and Bal Singh respectively

Which of the above three statements is/are in conformity with the information provided in the passage?

- (a) Option I (b) Option II
 (c) Options I and II (d) Options II and III
 (e) Options I, II and III

XAT - 2012

Answer question no. 18 - 19 on the basis of the information given in the following case.

Saral Co. is operating in seven north-eastern states of the country. The organization has a history of participative decision making, wherein people deliberate openly about pros and cons of every important decision, and a broad consensus is taken before taking the final decision. In Saral Co. every employee gets a salary proportional to the sales achieved. A new General Manager (GM) joined during the beginning of this month and challenged the organization's sole focus on sales to determine salaries. He urged the top management to include two more additional parameters in determining the salaries of the employees, viz. collection of information about competitors and the quality of relationship with the retailers.

18. Manohar, the highest earning employee for the last three years, vehemently opposes the GM's proposal. Which of the following could be most likely reason for him to oppose the proposal?
 (a) He considers the proposal as a serious threat to his favourable position in Saral Co.
 (b) He is not interested in collecting the information regarding competitors.
 (c) No clarity regarding the relative importance of the three parameters.
 (d) He is not interested in maintaining quality relationship with retailers.
 (e) He may need to work harder to earn the highest salary.

XAT - 2012

19. The top management of Saral Co. refused to implement the proposal of new GM from the beginning of next month. Which of the following could be the most justified reason for the management's refusal?
 (a) To ensure that no manager will get credit for a major change soon after joining.
 (b) To avoid attracting criticism for their failure to implement a similar scheme.
 (c) His past experience is limited to seven north-eastern states only.

- (d) The GM is new to the organization and he would require some time to implement the new plan.
- (e) The top management would need time to deliberate and get consensus.

XAT - 2012

Answer question no. 20 on the basis of the information given in the following case.

20. Indian government may hold top executives responsible if state-run power companies fail to meet performance targets and punish them with fines and transfers. The strict performance parameters are aimed at ensuring that at least the reduced target for 62,000 MW of generation capacity addition is achieved before the end of the 11th Plan, said a power ministry official. Performance of chairmen and managing directors of the power Public Sector Units (PSUs) in project implementation will be assessed as per the terms and conditions stipulated in the company's memorandum of understanding (MoU) with the power ministry, he said, requesting anonymity. Performance parameters of executives had come under strict scrutiny due to a lack of progress in capacity addition program. While the target for the 11th five year plan has already been scaled down by the government from 78,500 MW, in the first three years of the plan yielded only 22,302 MW of fresh capacity.

If you were the chairman of one of these power PSU's, which of the following statements (all of which are assumed to be true) could best be used in order to strengthen your case against the government holding top executives responsible?

- i. The labour unions, owing allegiance to ruling party at the Centre, are not allowing work to progress with their demands for wage hikes that are untenable
- ii. The actions of the mid-level management are not in line with the objectives laid down by the top management
- iii. The delays have been due to difficulties in obtaining funds at reasonable interest rates on account of the recessionary conditions

- iv. We are not to blame. The government is not doing enough to ensure availability of sufficient fuel to power the existing plants, let alone the new plants.
- v. The government had ignored the infrastructure availability like roads etc., and environmental clearances required for such projects and therefore set an unrealistic target to begin with, and the revised target is also unrealistic as well.

- (a) i and ii
- (b) i and iii
- (c) i, iii and iv
- (d) ii, iv and v
- (e) i, ii, iii, iv and v

XAT - 2011

Answer question no. 21 - 22 on the basis of the information given in the following case:

The CEO of ABC Telecom Ltd. (ABC) is in a quandary since he received the telephone call in the morning from his counterpart at LMN Telecom Ltd. (LMN). Both companies were engaged in a bitter experience a couple of years ago when they had attempted to merge with the intention of creating a behemoth telecom company, possibly the largest in the world. The merger had fallen through due to opportunistic behaviour on the part of Mr. Das, then CEO of LMN. During the time the merger talks were taking place, Mr. Das had also approached a few other suitors for LMN in an attempt to force ABC to pay a higher price. Further, there were reports of attempts by management of LM to scuttle the deal. Back then, ABC had also faced stiff opposition to the deal from one of its large shareholders.

Since then, a lot has changed for both companies. The bleak economic conditions due to recession had led to a drastic fall in the market value of both companies, with ABC comparatively losing much more in terms of market value. Raising money has become more difficult for both companies, especially for LMN. On the brighter side for ABC, the opposing shareholder had recently sold off his stake to another investor who earlier had supported the original merger deal with LMN a couple of years ago.

21. Which of the following would be the most appropriate line(s) of thought for the CEO of ABC to adopt in response to the offer by LMN?

- i. Once bitten twice shy. There is simply no way I can think of resuming talks with LMN after their unethical behaviour the previous time around. I would rather spend my time on merger discussions with other companies.
 - ii. The deal may make less business sense this time around. However, if it goes through, I will become the CEO of the world's largest telecom company. So let us try our luck once more.
 - iii. I will resume talks only if they provide guarantees as to the reimbursement of our expenses incurred, in the event of the deal not materializing.
 - iv. Let me not be biased against dealing with LMN. If we can secure the deal at a reasonably low price, benefiting our shareholders, let us go ahead with it.
 - v. I am not sure if we can raise the money now. In any event, they are the ones facing greater financial problems. So let's not hurry now. We might have an opportunity to buy them out at a cheaper price later.
- (a) i and iii (b) ii and iv
(c) ii and iii (d) i and iv
(e) iv and v

XAT - 2011

22. The merger of ABC and LMN has been confirmed after detailed negotiation with LMN holding the majority share of the resultant entity. LMN has financed the merger by taking debt at higher-than-market interest rates from its bankers, in the hope that it would be able to streamline operations and reduce costs in the resultant entity which will allow it to repay the loan. If you were an investor looking to invest in telecom companies, which of the following could be the strongest reasons for staying away from investing in resultant entity?

- (a) The new entrants in the telecom market were coming with better offers for the customers.

- (b) The market would be as competitive as ever for the resultant entity, thus providing no guarantee for success.
- (c) The combined management did present have any grand strategies to the investors.
- (d) ABC's management was giving in to Mr. Das who was a known opportunist.
- (e) LMN was using high cost debt to purchase another company in the same industry facing similar problems, with no visible advantage for the combined entity over competitors.

XAT - 2011

Answer question no. 23 -26 on the basis of the information given in the following case.

Chetan Textile Mills (CTM) had initiated various employee welfare schemes for its employees since the day the mill began its operations. Due to its various welfare initiatives and socially responsible business practices, the organization had developed an impeccable reputation. Majority of the regular workers in Chetan Mills had membership of *Chetan Mills Mazdoor Sangh* (CMMS), a non political trade union. CMMS had the welfare of its members as its guiding principle. Both CTM and CMMS addressed various worker related issues on a proactive basis. As a result no industrial dispute had been reported from the organization in the recent past.

These days majority of the employers deploy large number of contract labourers in their production processes. In an open economy survival of an organization depends on its competitiveness. In order to become competitive, an organization must be able to reduce cost and have flexibility in employment of resources. Engaging workers through contractors (contract labourer) reduces the overall labour cost by almost 50%. Indian labour legislations make reduction of regular workers almost impossible, but organizations can overcome this limitation by employing contract labourers. Contract labourers neither get the same benefits as regular employees nor do they have any job security. According to various recent surveys, government owned public sector units and other departments are the biggest employers of contract labourers in the country. Contractors, as middle-men, often exploit the

contract labourers, and these government organizations have failed to stop the exploitation.

Over time CTM started engaging a large number of contract labourers. At present, more than 35% of CTM's workers (total 5,000 in number) are contract labourers. CMMS leadership was wary about the slow erosion of its support base as regular workers slowly got replaced by contract workers and feared the day when regular workers would become a minority in the mill. So far, CMMS has refused to take contract labourers as members.

Recently, based on rumours, CTM management started to investigate the alleged exploitation of contract labourers by certain contractors. Some contractors felt that such investigations may expose them and reduce their profit margin. They instigated contract labourers to demand for better wages. Some of the contract labourers sought the support of various political parties in order to increase their negotiation power. Contract labourers engaged in material handling and cleaning work started provoking CTM management by adopting violent tactics.

Today's news-paper reports that police and CTM security guards fired two or three rounds in air to quell the mob. The trouble started while a security guard allegedly slapped one of the contract labourers following a heated argument. Angry labourers set fire to several vehicles parked inside the premises, and to two police jeeps.

23. In the wake of recent happenings, what decision is expected from CTM management? From the combinations given below, choose the best sequence of action.
- I. Stop the current investigations against the contractors to ensure industrial peace; after all allegations were based on rumours.
 - II. Continue investigations to expose exploitation and take strong actions against trouble makers.
 - III. Get in direct touch with all contract labourers through all possible means, communicate the need for current investigation to stop their exploitation, and convince them regarding CTM's situation

due to competition. Also expose those contractors who are creating problems.

- IV. Promise strong action against the security guards who are guilty.
- V. Increase the wages of contract labourers.

- | | |
|------------|-------------|
| (a) I, V | (b) I, II |
| (c) II, V | (d) III, IV |
| (e) III, V | |

XAT - 2011

24. In the current context, which among the following represent the most suitable reaction from CMMS leadership?
- (a) Distance CMMS from the episode and explain that CMMS is not involved in the fiasco through a press conference.
 - (b) Offer membership to contract labourers, which would put the contract workers at par with the regular workers in CMMS.
 - (c) Do not offer membership to contract labourers, but represent their interests during negotiation in order to prevent the formation of another union in CTM.
 - (d) Start another union exclusively for contract labourers of CTM.
 - (e) Adopt a neutral stand in public, and pass on information related to problem creators to the CTM management.

XAT - 2011

25. Out of the options given below, which one would be the best policy decision by government at the national level?
- (a) Asking CTM management to pay same wages to both regular and contract workers.
 - (b) Income tax raids in offices of contractors under investigation.
 - (c) Setting up a new labour welfare office within CTM premises.
 - (d) Setting up a new committee to make recommendations for changes in labour legislations with an objective to reduce exploitation of contract labourers.
 - (e) Use entire government machinery to support CTM, which has an impeccable track record.

XAT - 2011

26. The criminals in the surrounding area often took their cue from the situation in the mill, creating law and order problems outside the mill which would make it difficult for workers to come to the mill safely. Given the circumstances, identify the stakeholder that should be the immediate priority of CTM management.

- (a) Contract labourers who were allegedly beaten by the security guards of the company.
- (b) District administration that is concerned about the spread of violence.
- (c) CMMS that prefers an immediate settlement of the issue.
- (d) Customers who are concerned about prices and regular supplies.
- (e) Contract labourers who are demanding job security and same wages as regular employees.

XAT - 2011

Directions for questions 27 to 30: For each question, an answer (A) and a reason (R) has been given. Base your analysis on the information presented in the passage. Mark

- (a) if both A and R are based on information given in the passage and R is the correct explanation of A.
- (b) if both A and R are based on information given in the passage but R is not the correct explanation of A.
- (c) if A is based on information given in the passage but R is not based on the facts given.
- (d) if A is not based on information given in the passage but R is based on the information given in the passage.
- (e) if both A and R are not based on information given in the passage.

Siksha Foundation had been engaged in running primary schools in different parts of the country since 1970. While attending a conference on employee selection, Mr. Ram Kapoor, a senior member of the foundation learned that a leading school had recently employed a psychologist to perform employment functions, i.e., recruitment and selection of teachers. Within two months of his return, Mr. Kapoor

contacted a reputed university and employed a graduating psychologist, Mr. Shyam Khanna.

Mr. Shyam Khanna was employed by Siksha Foundation with the single directive that he was to contribute to the selection of teachers. This task had previously been the prerogative of principals of each school. Mr. Khanna immediately notified each principal that in the future he was to be notified of the personnel needs and in return he would recruit, screen and select the teachers.

At the end of his first year, with Siksha, Mr. Khanna realized that his efforts had resulted in failure. During his first few months he encountered much opposition from several principals who had been managing schools for ten or more years. They did not believe in newer psychological techniques and preferred selecting people based on their own assessment. Other principals frequently refused to accept the teachers selected by Mr. Khanna. Finally, Mr. Khanna began to notice fewer and fewer principals notifying him of vacancies in their schools. Realizing that he was not making any effective contribution, Mr. Khanna submitted the suggestion to the society members that support and co-operation of the school principals should be a matter of executive order, or else his resignation should be considered.

27. What responsibilities were shouldered by Mr. Khanna in his first year of employment?

A: Mr. Khanna had the responsibility of contributing his expertise to recruitment and selection of teachers.

R: The board members wanted to systematize the recruitment and selection of the entire organization.

28. "At the end of his first year with Siksha, Mr. Gupta realized that his efforts had resulted in failure." Was Mr. Khanna's self-assessment justified?

A: Yes, since the selection of teachers continued to be done as it was being done earlier.

R: He was placed in a situation where the concerned persons refused to consult him regarding his expertise. Hence his impact was dependent on co-operation by others.

- | | |
|--|--|
| <p>29. How were the changes in the recruitment and selection process received by the principals?</p> <p>A: The principals rejected the new process in its entirety from the day it was introduced.</p> <p>R: The principals were cynical of the abilities of the psychologists as far as recruitment and selection of teachers were concerned.</p> | <p>30. What was the flaw in the decision of selecting a psychologist for selecting teachers that led to the final situation?</p> <p>A: Mr. Kapoor's decision was predominantly driven by the information about another school that had enlisted the services of a psychologist for recruitment and selection.</p> <p>R: Both the administration of the school and managing teachers have been primary responsibilities of the principal of the school.</p> |
|--|--|
-

Answers and Explanations

1	d	2	e	3	c	4	b	5	a	6	c	7	d	8	e	9	b	10	c
11	e	12	d	13	b	14	c	15	c	16	c	17	a	18	e	19	e	20	c
21	e	22	e	23	d	24	c	25	d	26	e	27	c	28	b	29	e	30	b

Level – 1

1. d Only B and E are the problems highlighted in the passage. Statement A is not the problem but the practice (of regulating the teachers pay centrally) that has led to problems mentioned in the passage. Due to the pay being regulated centrally, the grades of the students are dipping. C and D are generalized statements which have not been highlighted in the passage. E is another problem highlighted in the passage arising due to centralized pay system. Hence, option (d) is the correct choice.
2. e Statement A is not a good solution as the requirements of other private sector jobs would be very different from that of teaching and it would be unsuitable to emulate their salary increments. Statement B is also not a good solution as it would lead to teacher shortages in low paid areas. Statement C doesn't do anything to solve the problem, reduction in teacher mobility is just a small benefit compared to the problems posed by the centralized pay system. Statement D is a good solution since it links the pay to performance which automatically takes care of the problem of dipping grades of the students. It also talks about being region specific, catering to the problem of teacher mobility. Statement E also is a good solution as then the grades of the students won't dip with rising salaries in other sectors.
3. c The passage talks about the teaching profession becoming unattractive because of the centralized pay system, this makes statement A improbable to occur in the future. All other statements except (c) are hinted at as a consequence of the centralized pay system and hence can be possible in the future. C however is a very generalistic statement that cannot be concluded definitely from the passage as 'charm' may have several connotations – one referring to monetary benefits and the other to intrinsic benefits that it brings along to the individual. So, the 'charm' here cannot be equated with 'attractiveness' (due to monetary benefits) as mentioned in the passage.

4. b Option (a) is incorrect as it fails to take into account the image of the company that would take a beating if Apple chooses to ignore the backlash of its customers. The approach outlined in option (c) is suicidal. The sales of the iPhone would be greatly hit by such a move and it would harm the image of the company. Option (d) is incorrect as announcing the reductions as temporary would not achieve anything. The early customers would, if not more, be as upset as before. Option (e) is not the correct strategy because it cannot be inferred from the passage that the technology has become obsolete. Option (b) is the correct choice since it treats the early customers in a special way by offering them rewards for buying early.
5. a The best approach would be to explain to the stakeholders the rationale behind the move. They should be explained that the reduction is not the result of weakening demand and would only benefit the company. Option (b) is equivalent to backtracking from its stand which is not correct for any company because it portrays that the management can succumb under pressure. Option (c) is incorrect because the passage talks about the concerns of stakeholders, not shareholders. Moreover, increasing dividends would only solve the issue temporarily. Option (d) and (e) are incorrect because they do not solve the issue at hand. Option (d) disregards the stakeholder's concerns while option (e) is a futuristic approach that need not necessarily satisfy them.
6. c Option (a), buying out competition, is a far-fetched solution which is not always feasible. Option (b) is incorrect as it does not suggest what the company should do instead of engaging in price war. Option (c) is the correct choice. This would make the company immune to any further reductions in price by its competitors. Offering freebies would lead to increased cost which is not the correct approach. In addition, the customers would expect more freebies when the competitors reduce their prices further. Thus, option (d) is incorrect. Option (e) is incorrect as launching a new product that is less in price than the iPhone will not help tackle the

competition because the competing products already have the iPhone features and are lower in price than the iPhone. People would still prefer an 'all feature' phone that is priced lower over a phone that is equivalent in price but has less features.

7. d The best course of action for Alexander in the given scenario is to start looking for jobs but not resign till the time the management does not ask him to do so. Therefore, option (d) is the correct answer. Option (a) is incorrect as the company's chief executive has given a statement regarding possible job cuts which by no means can be taken lightly. Option (b) is a kind of over-reaction on Alexander's part. He should not resign without being sure about the future. The question is what he should do in the given scenario, resign or stay. Option (c) is incorrect as it does not answer this question. Option (e) is a complete no-no since that would lead to an air of insecurity and suspiciousness among all the employees.
8. e Option (a) is not the best approach as it can confuse Alexander all the more. Not entertaining the query would only aggravate the situation. Option (b) is not the correct advice to give as it can pose a threat to Alexander's job in case he is actually fired. Option (c) is ruled out since the organization may lose a valuable employee even when they don't intend to lay him off. Option (d) is a far-fetched thing for the manager to do. He cannot commit that Alexander will not be axed. The best approach for Mr. Johnson should be to tell Alexander exactly what he is expected to know and leave the ultimate decision to him. This will ensure that the manager is true to both, the company and the employee. Therefore, option (e) is correct.
9. b The correct response from Ellen should have been to talk calmly with Ronnie understanding what's keeping him from submitting the sheets and convincing him how the timesheets would assist him to help the patients better. Option (a), (d) and (e) are incorrect as they mean not trying to resolve the issue at all on one's own end before bringing in the management/superiors. Option (c) is a very high-handed approach that can cause the relations to become strained further.
10. c The passage doesn't talk about employees not having confidence in the management. Ellen and Ronnie both show good confidence in Matthew. Ronnie and Ellen not communicating and coordinating effectively, having different priorities towards the company and lack of clarity in their respective roles and goals of the company are the problems that Kid Spectrum is facing.
11. e The best way Matthew can solve the problem is to convince Ronnie and Ellen that they both wish well

for the organization. Ronnie must be made to understand that implementing the protocols is important for the business which would eventually help the patients and their families better. Ellen must be explained that it is the nature of the clinicians' jobs that keeps them from filling the timesheets on time. Option (a), sitting with both of them separately, won't solve the problem. Option (b) is not a good solution as it fails to achieve what the company could have achieved had both the star employees worked together. Option (c) is not feasible as both of them belong to separate departments, while Ronnie's main concern is to help the patients; Ellen is a strict administrator working to increase profits. Option (d) falls short as it does not resolve the issue at hand presently; it is more of a preventive approach that may only check such cases in the future.

Level – 2

12. d The information given says that Limo captured 30% market share which was 200% of the expected share. It does not mean that the sales of Limo increased by 200%. Moreover, we don't know whose share Limo ate into to capture its share, it could well have come off other competitors. Hence we can't say that *Baft* and *Hebe* saw their market share decline by 10% due to Limo. The information doesn't in sense talk about the desirability of *Baft* and *Hebe* and about its features. So, both the conclusions can't be made. Hence the correct option is d.
13. b The best way to deal with unhappy customers is to suggest them to buy other models and offering to them discounts and gifts. This would not only make the customers happy but would also mean more business for the company. Option (a) is incorrect since suggesting the customers to wait will only aggravate the problem. Option (c), (d) and (e) don't deal with issue of making the customers happy.
14. c Option (a) is unfair since Mr. Murugan is not informed about the delivery date and expected delay. Option (b) is incorrect for the same reason that Mr. Murugan is not informed about Ginger Automobiles and its announcements. Option (d) is correct as it maximizes Mr. Ahmed's cash flow as well informs Mr. Murugan of the delivery problem. The rest of the two options are incorrect since they do not maximize Mr. Ahmed's cash flow and inform Mr. Murugan about the delivery respectively.
15. c Ram Singh was a cause of concern for the HR manager because he provided insider information to Mr. Dev which used to irk the senior members. Bal Singh has a profile very similar to Ram Singh and thus, the HR manager would never like to take him on board.
16. c Mr. Dev would like to have Bal Singh as his driver as he is experienced, trustworthy and a stable choice.

- Bal Singh meets the criteria of Mr. Dev's family too who do not want a young driver. Mani is young and so doesn't meet the criteria. Sunder is experienced but not stable. Chethan is willing to work long term but his services have been offered on a temporary basis. Chintan is inexperienced and unstable.
17. a Dev's most preferred employee would be Bal Singh as he is both stable and trustworthy. His least preferred choice would be Chintan who is being offered on a temporary basis (which makes him unstable) by a competing firm. Also, it can be a ploy on the part of the competitor to know the inside information of Mr. Dev's company. This makes him untrustworthy too and thus, Mr. Dev's least preferred choice. Family members do not want a young driver so their least preferred choice would be Mani and not Chintan. Thus, statement II is not in conformance with the given information. Statement III is also not in conformance with the information. We do not have sufficient information regarding his most preferred choice and so it can be anyone out of the other four except Bal Singh who has a very similar profile to Ram Singh which created discontent among senior employees. Hence the correct answer is statement I which is option A.
18. e Manohar would oppose the proposal because now he would be judged on three parameters instead of one and he may not be that good on the new criteria. He would have to definitely work harder to maintain his 'highest earning employee' status. Thus, option (e) is correct. Options (b) and (d) are ambiguous and can't be stated concretely. Option (a) is incorrect for the word 'favorable position'. Being highest paid does not mean he has a favorable or unfavorable position. Option (c) is ambiguous too because we don't know if the relative importance of the three parameters would not be specified later.
19. e The main reason for delaying the implementation of the proposal for a month is that the management would need time to think it out and get consensus from concerned employees. This makes option (e) correct. Options (a) and (b) give trivial reasons that the management would choose to overlook. Option (c) is irrelevant as it questions the competence of the GM which is certainly incorrect. Option (d) states that GM would require time to implement the plan, which is incorrect. It is the management in its entirety that implements the plan. Thus, the delay has nothing to do with the GM. This rules out option (d).
20. c The case in question presents the view of the government that holds responsible the top executives of the PSUs for the failure in the implementation of plans. Statements (i), (iii) and (v) present arguments that tell us why it is the government that is responsible and not these executives.
21. e Since both the management and the economic situation of LMN has undergone a change, it will be pragmatic to look at this deal from a fresh perspective and let bygones be bygones. Hence, statement (iv) is a wise line of thought for the CEO of ABC. He can also consider the present market value and economic situation of LMN and decide to try and bid for this company at a later time at a cheaper price. Hence, statement (v) is also correct. This eliminates all the options except (e).
22. e Since both the companies are facing similar problems and are in the same sector, there is no visible advantage monetarily as well as from the perspective of portfolio diversification for the resultant entity. The only advantage could be consolidation of assets. Hence E is the strongest option.
23. d The management needs to placate workers, expose contractors and take unbiased decisions against troublemakers. This will ensure that these workers will continue to work without causing further trouble. Statements 3 and 4 are possible course of actions.
24. c Since CMMS is an association for permanent labourers, they do not want to give membership to contract labourers. But if they continue to alienate themselves from contract labourers then their representative power will diminish. In these circumstances option (c) will be the best course of action.
25. d At the root of the problem lies the fact that there is no significant legislation that is effective in the current market situation where contract labourers are being employed in greater numbers. Also, it seems that contract labourers do not have any legislation safeguarding their rights. Thus, taking steps to enact relevant labour legislation is the best course for the government to take. Therefore, option (d) is the best choice under the circumstances.
26. e The immediate attention is required towards the labourers who are already disgruntled. They are also more vulnerable to influence by criminals of the area. Out of A and E, E is a better choice as it takes into account the entire labour class.
27. c A is true according to the passage, however, R talks about the desires of the board members which is not mentioned in the passage.
28. b Both A and R are true according to the passage but R is not the correct explanation of A.
29. e The case nowhere says that all the principals rejected the new process from the very first day. This makes A incorrect. R also makes a generalization, which is not given in the passage, this makes R also incorrect.
30. b Both A and R are true but R is not the explanation of A.