Profitability Index (PI)

\[ PI \equiv \frac{\text{Present Value of Inflows}}{\text{Present Value of Outflows}} \]

**PI Decision Rules**

**For Independent Projects**

- \( PI > 1 \) Accept Project
- \( PI = 1 \) Indifferent
- \( PI < 1 \) Reject Project

**For Mutually Exclusive Projects**
Take the project with the largest PI, subject to $\text{PI} > 1$. 