

Internal Rate of Return = IRR

[@wikipedia](#)

A value of required [discount rate](#) to nullify the expected [NPV](#) of the [Investment Project](#):

$$\text{NPV} = \sum_{i=0}^n \frac{R_i}{(1 + \text{IRR})^i} = 0$$

The usual practise is to give preferences to the [Investment Projects](#) with higher [IRR](#) and make a direct comparison of [IRR](#) against the [Weighted Average Cost of Capital \(WACC\)](#).

The corporate investment policy usually dictates that:

- [Investment Projects](#) with [IRR](#) < [WACC](#) should be rejected
- [Investment Projects](#) with higher [IRR](#) should have a financing priority over the [Investment Projects](#) with lower [IRR](#)

See also

[Economics](#) / [Investment](#) / [Financial Investment](#) / [Financial Investment Metrics](#)

[[Financial Investment Project](#)]

[[Weighted Average Cost of Capital \(WACC\)](#)] [[Cash Discount](#)] [[Net Present Value \(NPV\)](#)]

[[Modified Internal Rate of Return \(MIRR\)](#)]