

# Internal Rate of Return = IRR

@wikipedia

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

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

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

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[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 \(MIRR\)](#) ]