



The Engineering Economist >

A Journal Devoted to the Problems of Capital Investment

Volume 49, 2004 - [Issue 2](#)

1,984 22

Views | CrossRef citations to date | Altmetric

0

Original Articles

# TECHNICAL NOTE—THE INTERNAL RATE OF RETURN (IRR) AS A FINANCIAL INDICATOR

Mirosław M. Hajdasinski

Pages 185-197 | Published online: 12 Aug 2010

Cite this article <https://doi.org/10.1080/00137910490453437>

Sample our  
Economics, Finance,  
Business & Industry Journals  
>> [Sign in here](#) to start your access  
to the latest two volumes for 14 days

Full Article

Figures & data

References

Citations

Metrics

Reprints & Permissions

Read this article

Share

## Abstract

In their recent paper [Tang and Tang \(2003\)](#), pp. 69–78) revive a longstanding controversy—net present value (NPV) versus internal rate of return (IRR)—by characterizing the NPV as an economic indicator and the IRR as a financial one. The paper implies that this distinction justifies ranking financial alternatives by ranking their IRRs. In the current article, it is argued that the direct IRR ranking does not necessarily provide the same evaluation environment—and therefore a fair comparison—for each alternative involved, and that the incremental ranking approach is needed to remedy this shortcoming. The article also points out that Tang and Tang's numerical examples of simple projects with one sign change in their cash flow patterns do not address the problem of multiple IRRs, which consequently renders Tang and Tang's ranking

approach dysfunctional. It is demonstrated that the concept of a true rate of return, substituting for the non-performing IRR and applied in conjunction with the incremental approach, provides an adequate tool for ranking mutually exclusive projects or a project's technical or financial alternatives.

---

---

## Notes

1 The term “True Rate of Return” was adopted from [Adler \(1970\)](#).

2 According to [Bernhard \(1962\)](#), footnote 3, p. 22), the term “Unrecovered Investment,” also called “Unrecovered Balance” ([Bussey, 1978](#)), was first used by the [National Association of Accountants \(1959\)](#).

---

## Additional information

Notes on contributors

Miroslaw M. Hajdasinski

MIROSLAW M. HAJDASINSKI holds a B.Sc. and an M.Sc. in mining engineering from the Technical University of Mining and Metallurgy (AGH) in Cracow, Poland. He earned his Ph.D. in mine economics from the same university. Subsequently, Dr. Hajdasinski conducted research at the Technical University Clausthal, Germany (Department of Mining Engineering and Mine Economics), and at the Technical University Eindhoven, The Netherlands (Department of Industrial Engineering and Management Science). Late in 1982, he joined Laurentian University of Sudbury, Ontario, Canada, where he currently works as a professor in the School of Engineering. Dr. Hajdasinski's research interests embrace project evaluation techniques and applications of engineering economy and operations research to mine planning and evaluation, as well as to mine-design optimization. He has published numerous articles in international journals and presented papers at national and international conferences on the above subjects. Dr. Hajdasinski is a professional engineer registered in the Province of Ontario.

---

#### Related Research Data

##### [COMMENTS ON “USING HEURISTICS TO EVALUATE PROJECTS: THE CASE OF RANKING PROJECTS BY IRR”](#)

Source: The Engineering Economist

##### [The Payback Period as a Measure of Profitability and Liquidity](#)

Source: The Engineering Economist

##### [The internal rate of return method — A critical study](#)

Source: Engineering Costs and Production Economics

##### [On the Theory of Optimal Investment Decision](#)

Source: Journal of Political Economy

##### [Three Problems in Rationing Capital](#)

Source: The Journal of Business

##### [The Internal Rate of Return as a Ranking Criterion](#)

Source: The Engineering Economist

##### [A Resolution Of The Multiple Rate-Of-Return Paradox](#)

Source: The Engineering Economist

People also read

Recommended articles

Cited by  
22

### Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

### Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

### Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

### Help and information

- Help and contact
- Newsroom
- All journals
- Books

### Keep up to date


Register to receive personalised research and resources by email

 Sign me up



Copyright © 2026 Informa UK Limited [Privacy policy](#)

[Cookies](#) [Terms & conditions](#) [Accessibility](#)

 Taylor and Francis  
Group

Registered in England & Wales No. 01072954  
5 Howick Place | London | SW1P 1WG