

The Engineering Economist &gt;

A Journal Devoted to the Problems of Capital Investment

Volume 49, 2004 - Issue 2

1,466 18

Views CrossRef citations to date Altmetric

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

Miroslaw M. Hajdasinski

Pages 185-197 | Published online: 12 Aug 2010

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

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## 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

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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

Mirosław 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



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