Internal Rate of Return - Python Exercise

# Question:

Set the internal rate of return (IRR) for Project 1 and Project 2 using np.irr(cf\_project1) and np.irr(cf\_project2).

# Question Explanation (20 words):

We need to determine the IRR of both projects using NumPy's np.irr function with the cash flow arrays provided.

# Answer (Code):

# Import numpy as np  
import numpy as np  
  
# Calculate the internal rate of return for Project 1  
irr\_project1 = np.irr(cf\_project1)  
print("Project 1 IRR: " + str(round(100 \* irr\_project1, 2)) + "%")  
  
# Calculate the internal rate of return for Project 2  
irr\_project2 = np.irr(cf\_project2)  
print("Project 2 IRR: " + str(round(100 \* irr\_project2, 2)) + "%")

# Answer Explanation (20 words):

The np.irr() function calculates the internal rate of return by finding the rate that sets NPV of cash flows to zero.

