UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

AMENDMENT NUMBER 1

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED: APRIL 30, 1997

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______________ to ______________

Commission File Number: 1-6089

H&R BLOCK, INC.
(Exact name of registrant as specified in its charter)

Missouri	44-0607856
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
4400 Main Street, Kansas City, Missouri	64111
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (816) 753-6900

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, without par value	New York Stock Exchange Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, without par value
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the price at which the stock was sold on June 1, 1997, was $3,265,139,295.

Number of shares of registrant's Common Stock, without par value, outstanding on June 1, 1997: 104,078,315.

DOCUMENTS INCORPORATED BY REFERENCE

Certain specified portions of the registrant's annual report to security holders for the fiscal year ended April 30, 1997, are incorporated herein by reference in response to Part I, Item 1, Part II, Items 5 through 7, inclusive, and certain specified portions of the registrant's definitive proxy statement filed within 120 days after April 30, 1997, are incorporated herein by reference in response to Part III, Items 10 through 13, inclusive. A certain specified portion of the annual report on Form 10-K of CompuServe Corporation for the fiscal year ended April 30, 1997, is incorporated herein by reference in response to Part I, Item 1, and Part I, Item 2.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED STATEMENTS OF EARNINGS
Amounts in thousands, except per share amounts

	Year Ended April 30		
	1997	1996	1995
REVENUES:			
Service revenues	$1,805,711	$1,543,104	$1,233,815
Royalties	110,519	99,717	92,436
Other income	13,433	13,363	7,568
	1,929,663	1,656,184	1,333,819
EXPENSES:			
Employee compensation and benefits	604,336	517,727	442,504
Occupancy and equipment	583,420	402,835	295,528
Marketing and advertising	239,255	113,204	84,905
Supplies, freight and postage	69,929	95,621	71,542
Other	414,897	262,942	162,335
Purchased research and development	--	--	83,508
	1,911,837	1,392,329	1,140,322
Operating earnings	17,826	263,855	193,497
OTHER INCOME:			
Investment income, net	20,730	8,994	23,703
Other, net	--	12,445	2,796
	20,730	21,439	26,499
Earnings before income taxes and minority interest	38,556	285,294	219,996
Taxes on earnings	14,613	108,126	112,737
Net earnings before minority interest	23,943	177,168	107,259
Minority interest in consolidated subsidiary	(23,812)	--	--
NET EARNINGS	$ 47,755	$ 177,168	$ 107,259
Net earnings per share	$.45	$1.67	$1.01

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS
Amounts in thousands, except share data

	April 30 1997	April 30 1996
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 595,851	$ 685,660
Marketable securities	84,362	42,952
Receivables, less allowance for doubtful accounts of $35,018 and $7,848	525,777	333,734
Prepaid expenses and other current assets	64,008	59,912
Total current assets	1,269,998	1,122,258
INVESTMENTS AND OTHER ASSETS:		
Investments in marketable securities	20,887	17,081
Excess of cost over fair value of net tangible assets acquired, less accumulated amortization of $30,431 and $27,825	80,133	61,141
Deferred subscriber acquisition costs, net of amortization	43,959	96,636
Other	71,003	59,201
	215,982	234,059
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation and amortization of $432,195 and $315,195	420,278	399,574
	$1,906,258	$1,755,891
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	$ 269,619	$ 72,651
Accounts payable, accrued expenses and deposits	193,628	201,320
Accrued salaries, wages and payroll taxes	120,709	109,870
Accrued taxes on earnings	129,186	94,406
Total current liabilities	713,142	478,247
DEFERRED INCOME TAXES	25,750	46,700
OTHER NONCURRENT LIABILITIES	38,952	38,222
COMMITMENTS AND CONTINGENCIES	--	--
MINORITY INTEREST	129,317	153,129
STOCKHOLDERS' EQUITY:		
Common stock, no par, stated value $.01 per share: authorized 400,000,000 shares	1,089	1,089
Convertible preferred stock, no par, stated value $.01 per share: authorized 500,000 shares	4	4
Additional paid-in capital	502,308	504,694
Retained earnings	684,071	747,212
	1,187,472	1,252,999
Less cost of common stock in treasury	188,375	213,406
	999,097	1,039,593
	$1,906,258	$1,755,891

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Amounts in thousands

	Year Ended April 30		
	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$ 47,755	$ 177,168	$ 107,259
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	166,811	111,240	67,684
Amortization of deferred subscriber acquisition costs	120,836	22,585	--
Deferred subscriber acquisition costs	(68,159)	(119,221)	--
Provision for deferred taxes on earnings	(13,968)	52,639)	(734)
Gain on sale of subsidiaries	--	(12,445)	(2,796)
Purchased research and development	--	--	83,508
Noncash, nonrecurring charges	17,565	--	--
Net gain on sales of marketable securities	(454)	(1,134)	(6,664)
Other noncurrent liabilities	730	4,760	2,845
Minority interest	(23,812)	--	--
Changes in assets and liabilities:			
Receivables	(93,802)	(70,621)	(87,995)
Mortgage loans held for sale:			
Originations and purchases	(211,700)	(8,674)	--
Sales and principal repayments	113,259	--	--
Prepaid expenses and other current assets	(13,888)	(25,373)	(1,735)
Accounts payable, accrued expenses and deposits	(8,736)	58,247	(24,994)
Accrued salaries, wages and payroll taxes	10,839	39,127	15,722
Accrued taxes on earnings	34,698	(17,554)	(27,737)
Net cash provided by operating activities	77,974	210,744	124,363
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of marketable securities	(220,677)	(162,544)	(1,904,653)
Maturities of marketable securities	152,302	304,724	1,837,584
Sales of marketable securities	23,852	155,170	299,702
Purchases of property and equipment, net	(164,500)	(264,491)	(123,337)
Excess of cost over fair value of net tangible assets acquired, net of cash acquired	(27,068)	(18,675)	(47,773)
Proceeds from sale of subsidiaries	--	35,000	5,195
Other, net	(24,111)	(16,577)	(5,856)
Net cash provided by (used in) investing activities	(260,202)	32,607	60,862
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of notes payable	(5,041,386)	(2,252,761)	(1,856,873)
Proceeds from issuance of notes payable	5,238,354	2,275,991	1,906,294
Net proceeds from sale of stock by subsidiary	--	518,819	--
Dividends paid	(107,988)	(131,263)	(128,838)
Payments to acquire treasury shares	--	(71,897)	(114,900)
Proceeds from stock options exercised	3,439	13,172	57,997
Net cash provided by (used in) financing activities	92,419	352,061	(136,320)
Net increase (decrease) in cash and cash equivalents	(89,809)	595,412	48,905
Cash and cash equivalents at beginning of the year	685,660	90,248	41,343
Cash and cash equivalents at end of the year	$ 595,851	$ 685,660	$ 90,248
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
Income taxes paid (received)	$ (8,047)	$ 73,041	$ 141,062
Interest paid	10,889	5,898	4,064

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in thousands, except share data

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations: H&R Block,Inc. (the "Company") provides a variety of services to the general public, principally in the United States, but also in Canada, Australia and other foreign countries. Approximately one-half of total revenues are generated from tax return preparation, electronic filing of tax returns and other tax-related services. The Company provides computer-based information and communication services to businesses and individual owners of personal computers through its CompuServe Corporation ("CompuServe") subsidiary. The Company also offers credit card loans, nonconforming mortgages, personal productivity software and purchases participation interests in refund anticipation loans made by a third party lending institution.

Principles of consolidation: The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. All material intercompany transactions and balances have been eliminated.

Reclassifications: Reclassifications have been made to prior year amounts to conform with the current year presentation.

Management estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Marketable securities: Marketable debt and equity securities are classified as available-for-sale securities, and are carried at market value, based on quoted prices, with unrealized gains and losses included in stockholders' equity.

The cost of marketable securities sold is determined on the specific identification method and realized gains and losses are reflected in earnings.

Receivables: Receivables consist primarily of credit card loans and mortgage loans held for sale. Mortgage loans held for sale are carried at the lower of cost or market value. The allowance for doubtful accounts represents an amount considered by management to be adequate to cover potential credit losses.

Foreign currency translation: Assets and liabilities of the Company's foreign branches and subsidiaries are translated into U.S. dollars at exchange rates prevailing at the end of the year. Revenue and expense transactions are translated at the average of exchange rates in effect during the period. Translation gains and losses are recorded directly to stockholders' equity.

Deferred subscriber acquisition costs: Effective May 1, 1995, the Company changed its method of accounting for direct response advertising costs to conform with the American Institute of Certified Public Accountants Statement of Position 93-7, "Reporting on Advertising Costs." Under this accounting method, direct response advertising costs that meet certain criteria are capitalized and amortized on a cost-pool-by-cost-pool basis over the period during which the future benefits are expected to be received. Subscriber acquisition costs consist principally of direct mail costs, including mailing lists, postage, related payroll and outsourcing costs, payments to OEMs, and disk and CD-ROM costs, all of which result in a direct revenue-generating response. The net effect of the change in accounting increased assets by $96,636 at April 30, 1996, and increased net earnings by $60,011 and net earnings per share by $.57 for the year ended April 30, 1996. The Company expenses advertising costs not classified as direct response the first time the advertising takes place.

In October 1996, the Company changed its rate of amortization of subscriber acquisition costs from a period of 24 months, with 60% amortized in the first 12 months, to a rate which more closely correlates with recent trends in subscriber retention rates and member net revenues. The new rate of amortization is 50% in the first three months, 30% in the next nine months, and 20% in the subsequent year. In conjunction with this change, the Company accelerated amortization of previously deferred CompuServe Interactive Service ("CSi") subscriber acquisition costs of $34,500. Additionally, all previously deferred subscriber acquisition costs for WOW! and SPRYNET, totaling $8,321 and $2,560, respectively, were written off due to the costs to service these high usage, flat priced services. The WOW! service was withdrawn from the marketplace as of January 31, 1997. All future subscriber acquisition costs for SPRYNET will be expensed as incurred. The total adjustment of $45,381 to subscriber acquisition costs ($22,383 after taxes, or $.21 per share) is included in marketing expenses in the consolidated statements of earnings for the year ended April 30, 1997.

Excess of cost over fair value of net tangible assets acquired: The excess of cost of purchased subsidiaries, operating offices and franchises over the fair value of net tangible assets acquired is being amortized over an average life of 20 years on a straight-line basis.

At each balance sheet date, a determination is made by management to ascertain whether intangibles have been

impaired based on several criteria, including, but not limited to, revenue trends, undiscounted operating cash flows and other operating factors.

In connection with the adoption of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," the Company reviewed the assets and related goodwill of its personal tax preparation software business for impairment. As a result, the Company recognized an impairment loss of $8,389, which is included in other expenses in the consolidated statements of earnings for the year ended April 30, 1996. The impairment loss represents the amount by which the carrying value of the tax preparation software business assets, including goodwill, exceeded the estimated fair value of those assets. The estimated fair value was determined as the present value of estimated expected future cash flows using a discount rate appropriate for the risks associated with the personal software industry.

Depreciation and amortization: Buildings and equipment are depreciated over the estimated useful lives of the assets using the straight-line method. Leasehold improvements are amortized over the period of the respective lease using the straight-line method.

Notes payable: The Company uses short-term borrowings to finance temporary liquidity needs and various financial activities conducted by its subsidiaries. The weighted average interest rates of notes payable at April 30, 1997 and 1996 were 5.7% and 5.4%, respectively.

Revenue recognition: Service revenues are recorded in the period in which the service is performed. The Company records franchise royalties, based upon the contractual percentages of franchise revenues, in the period in which the franchise provides the service.

Taxes on earnings: The Company and its subsidiaries file a consolidated Federal income tax return on a calendar year basis. Therefore, the current liability for taxes on earnings recorded in the balance sheet at each year-end consists principally of taxes on earnings for the period January 1 to April 30 of the respective year. Deferred taxes are provided for temporary differences between financial and tax reporting, which consist principally of differences between accrual and cash basis accounting, deferred compensation, depreciation, and deferred subscriber acquisition costs.

The Company has entered into a Tax Sharing Agreement with CompuServe, pursuant to which CompuServe is obligated to pay the Company (or the Company is obligated to pay CompuServe) for CompuServe's liability (or tax benefits) related to Federal, state, and local income taxes during any taxable period.

Net earnings per share: Net earnings per share are computed based on the weighted average number of common and common equivalent shares outstanding during the respective years (105,840,000 in 1997, 106,059,000 in 1996, and 105,871,000 in 1995). Net earnings per share assuming full dilution have not been shown as there would be no material dilution.

Consolidated statements of cash flows: For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Disclosure regarding financial instruments: The carrying values reported in the balance sheet for cash equivalents, receivables, notes payable, accounts payable and accrued liabilities approximate fair market value due to the relatively short-term nature of the respective instruments.

Stock plans: The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), in October 1995. SFAS 123 allows companies to continue under the approach set forth in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), for recognizing stock-based compensation expense in the financial statements, but encourages companies to adopt the provisions of SFAS 123 based on the estimated fair value of employee stock options. Companies electing to retain the approach under APB 25 are required to disclose pro forma net earnings and net earnings per share in the notes to the financial statements, as if they had adopted the fair value accounting method under SFAS 123. The Company has elected to retain its current accounting approach under APB 25.

New accounting standard: In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"), effective for periods ending after December 15, 1997. SFAS 128 requires the disclosure of basic earnings per share and diluted earnings per share on the face of the income statement, and a reconciliation of the numerator and denominator of the basic earnings per share computation to the numerator and denominator of the diluted earnings per share computation in the notes to the financial statements. The Company will fully adopt the provisions of SFAS 128 beginning with the quarter ending January 31, 1998. The adoption of SFAS 128 will not have a material effect on reported net earnings per share as presented herein.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents is comprised of the following:

	April 30 1997	1996
Cash and interest-bearing deposits	$103,802	$272,951
Commercial paper	288,656	105,216
Certificates of deposit	99,747	22,093
U.S. Government obligations	62,586	285,400
Other interest-bearing securities	41,060	--
	$595,851	$685,660

======== ========

MARKETABLE SECURITIES

The amortized cost and market value of marketable securities at April 30, 1997 and 1996 are summarized below:

	1997				1996			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Current:								
Municipal bonds and notes	$ 6,167	$ 17	$ 12	$ 6,172	$ 13,182	$ 440	$ 79	$ 13,543
U.S. Government obligations	15,047	8	9	15,046	3,492	3	--	3,495
Other debt investments	63,048	131	35	63,144	25,852	82	20	25,914
	84,262	156	56	84,362	42,526	525	99	42,952
Noncurrent:								
Municipal bonds	15,039	325	135	15,229	11,013	310	37	11,286
Preferred stock	647	299	--	946	1,511	316	32	1,795
Common stock	3,165	1,550	3	4,712	3,085	935	20	4,000
	18,851	2,174	138	20,887	15,609	1,561	89	17,081
	$103,113	$2,330	$194	$105,249	$ 58,135	$2,086	$188	$ 60,033

All marketable securities at April 30, 1997 are classified as available-for-sale. Proceeds from the sales of available-for-sale securities were $23,852, $155,170 and $299,702 during 1997, 1996 and 1995, respectively. Gross realized gains on those sales during 1997, 1996 and 1995 were $600, $1,520 and $7,014, respectively; gross realized losses were $146, $386 and $350, respectively. At April 30, 1997 and 1996, the net unrealized holding gain on available-for-sale securities included in stockholders' equity in the consolidated balance sheet was $1,326 and $1,169, respectively.

Contractual maturities of available-for-sale debt securities at April 30, 1997 are presented below. Since expected maturities differ from contractual maturities due to the issuers' rights to prepay certain obligations or the seller's rights to call certain obligations, the first call date, put date or auction date for municipal bonds and notes is considered the contractual maturity date.

	Amortized Cost	Market Value
Within one year	$84,262	$84,362
After one year through five years	6,846	7,034
After five years through 10 years	8,193	8,195
	$99,301	$99,591

RECEIVABLES

Receivables consist of the following:

	April 30 1997	1996
Credit card loans	$247,889	$166,008
Mortgage loans held for sale	107,115	8,674
Other	205,791	166,900
	560,795	341,582
Allowance for doubtful accounts	35,018	7,848
	$525,777	$333,734

PROPERTY AND EQUIPMENT

A summary of property and equipment follows:

	April 30 1997	April 30 1996
Land	$ 7,072	$ 7,084
Buildings	95,707	87,523
Computer and other equipment	700,136	582,815
Leasehold improvements	49,558	37,347
	852,473	714,769
Less accumulated depreciation and amortization	432,195	315,195
	$420,278	$399,574

Depreciation and amortization expense for 1997, 1996 and 1995 amounted to $143,283, $90,829 and $62,809, respectively.

OTHER NONCURRENT LIABILITIES

The Company has deferred compensation plans which permit directors and certain management employees to defer portions of their compensation and accrue earnings on the deferred amounts. The compensation, together with Company matching of deferred amounts, has been accrued, and the only expenses related to these plans are the Company match and the earnings on the deferred amounts, which are not material to the financial statements. Included in other noncurrent liabilities is $32,990 at the end of 1997 and $31,146 at the end of 1996 to reflect the liability under these plans. The Company purchased whole-life insurance contracts on certain related directors and employees to recover distributions made or to be made under the plans and has recorded the cash surrender value of the policies in other assets. If all the assumptions regarding mortality, earnings, policy dividends and other factors are realized, the Company will ultimately realize its full investment plus a factor for the use of its money.

STOCKHOLDERS' EQUITY

Changes in the components of stockholders' equity during the three years ended April 30, 1997 are summarized below:

	Common Stock		Convertible Preferred Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	
	Shares	Amount	Shares	Amount			Shares	Amount
Balances at May 1, 1994	108,972,699	$1,089	-	-	$ 90,552	$719,724	(2,823,605)	$(103,490)
Net earnings for the year	-	-	-	-	-	107,259	-	-
Stock options exercised	-	-	-	-	(4,164)	-	1,624,843	62,161
Unrealized gain on translation	-	-	-	-	-	2,043	-	-
Acquisition of treasury shares	-	-	-	-	-	-	(2,910,900)	(114,900)
Stock issued for acquisition	-	-	401,768	$ 4	54,190	-	-	-
Cumulative effect of change in accounting for marketable securities, net of taxes	-	-	-	-	-	5,526	-	-
Change in net unrealized gain on marketable securities	-	-	-	-	-	(5,291)	-	-
Cash dividends paid - $1.21 1/4 per share	-	-	-	-	-	(128,838)	-	-
Balances at April 30, 1995	108,972,699	1,089	401,768	4	140,578	700,423	(4,109,662)	(156,229)
Net earnings for the year	-	-	-	-	-	177,168	-	-
Stock options exercised	-	-	3,031	-	(1,501)	-	340,395	12,957
Restricted stock granted	-	-	-	-	(47)	-	46,370	1,763
Unrealized loss on translation	-	-	-	-	-	(50)	-	-
Acquisition of treasury shares	-	-	-	-	-	-	(1,833,200)	(71,897)
Sale of stock by subsidiary	-	-	-	-	365,664	-	-	-
Change in net unrealized gain on marketable securities	-	-	-	-	-	934	-	-
Cash dividends paid - $1.27 1/4 per share	-	-	-	-	-	(131,263)	-	-
Balances at April 30, 1996	108,972,699	1,089	404,799	4	504,694	747,212	(5,556,097)	(213,406)
Net earnings for the year	-	-	-	-	-	47,755	-	-
Stock options exercised	-	-	2,280	-	24	-	88,945	3,415
Cancellation of restricted stock	-	-	-	-	-	-	(28,217)	(1,044)
Unrealized loss on translation	-	-	-	-	-	(3,065)	-	-
Repurchase of Convertible Preferred Stock	-	-	(391)	-	-	-	-	-
Stock issued for acquisition	-	-	-	-	(2,410)	-	589,948	22,660
Change in net unrealized gain on marketable securities	-	-	-	-	-	157	-	-
Cash dividend paid - $1.04 per share	-	-	-	-	-	(107,988)	-	-

Balances at April 30, 1997	108,972,699	$1,089	406,688	$ 4	$502,308	$684,071	(4,905,421)	$(188,375)

The Company is authorized to issue 6,000,000 shares of Preferred Stock, without par value. At April 30, 1997, the Company had 5,592,921 shares of authorized but unissued Preferred Stock. Of the unissued shares, 600,000 shares have been designated as Participating Preferred Stock in connection with the Company's shareholder rights plan.

On March 8, 1995, the Board of Directors authorized the issuance of a series of 500,000 shares of nonvoting Preferred Stock designated as Convertible Preferred Stock, without par value. On April 4, 1995, 401,768 shares of Convertible Preferred Stock were issued to certain shareholders of SPRY, Inc. ("SPRY") in connection with the Company's acquisition of such corporation.

Each share of Convertible Preferred Stock is convertible on or after April 5, 1998 into four shares of Common Stock of the Company, subject to adjustment upon certain events. The holders of the Convertible Preferred Stock are not entitled to receive dividends paid in cash, property or securities and, in the event of any dissolution, liquidation or winding-up of the Company, will share ratably with the holders of Common Stock then outstanding in the assets of the Company after any distribution or payments are made to the holders of Participating Preferred Stock or the holders of any other class or series of stock of the Company with preference over the Common Stock.

STOCK OPTION PLANS

The Company has three stock option plans: the 1993 Long-Term Executive Compensation Plan, the 1989 Stock Option Plan for Outside Directors and a plan for eligible seasonal employees. The 1993 plan was approved by the shareholders in September 1993 to replace the 1984 Long-Term Executive Compensation Plan, which terminated at that time except with respect to outstanding awards thereunder. Under the 1993 and 1989 plans, options may be granted to selected employees and outside directors to purchase the Company's Common Stock for periods not exceeding 10 years at a price that is not less than 100% of fair market value on the date of the grant. A majority of the options are exercisable each year either starting one year after the date of the grant or on a cumulative basis at the annual rate of 33 1/3% of the total number of option shares. Other options are exercisable commencing three years after the date of the grant on a cumulative basis in annual increments of 60%, 20% and 20% of the total number of option shares.

The plan for eligible seasonal employees, as amended, provided for the grant of options on June 30, 1997, 1996 and 1995 at the market price on the date of the grant. The options are exercisable during September in each of the two years following the calendar year of the grant.

Changes during the years ended April 30, 1997, 1996 and 1995 under these plans were as follows:

	1997		1996		1995	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Options outstanding, beginning of year	6,413,928	$37.93	4,865,814	$35.73	3,538,341	$32.05
Options granted	3,124,588	32.34	3,545,692	40.35	3,912,763	38.53
Options exercised	(90,045)	20.08	(362,849)	29.02	(1,624,203)	33.21
Options which expired	(3,230,772)	37.16	(1,634,729)	38.63	(961,087)	37.79
Options outstanding, end of year	6,217,699	35.78	6,413,928	37.93	4,865,814	35.73
Shares exercisable, end of year	4,506,372	36.00	4,029,301	37.56	2,727,540	34.42
Shares reserved for future grants, end of year	13,660,778		13,554,594		15,465,557	

A summary of stock options outstanding and exercisable at April 30, 1997 follows:

	Outstanding			Exercisable	
Range of Exercise Prices	Number Outstanding at April 30	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at April 30	Weighted-Average Exercise Price
$6.9525 - 16.25	36,337	2 years	$14.50	36,337	$14.50
$17.4375 - 28.75	529,720	7 years	25.99	278,970	24.52

$30.6875 - 39.875	3,586,278	9 years	34.41	2,548,222	34.33
$40 - 44.375	2,065,364	9 years	41.04	1,642,843	41.02
	---------			---------	
	6,217,699			4,506,372	
	=========			=========	

In connection with the acquisition of SPRY, outstanding options to purchase SPRY common stock under an employee stock option plan were converted on April 4, 1995 into options to purchase 51,828 shares of the Company's Convertible Preferred Stock. During 1997 and 1996, options to purchase Convertible Preferred Stock of 2,280 and 3,031, respectively, were exercised, and 11,163 and 2,052, respectively, were terminated. At April 30, 1997, 33,302 of such options were outstanding, with exercise prices ranging from $9.54 to $19.08.

The Company applies APB 25 in accounting for its stock option plans, under which no compensation cost has been recognized for stock option awards. Had compensation cost for the stock option plans been determined in accordance with the fair value accounting method prescribed under SFAS 123, the Company's net earnings and net earnings per share on a pro forma basis would have been as follows:

	Year Ended April 30	
	1997	1996
Net earnings:		
As reported	$47,755	$177,168
Pro forma	34,891	168,232
Net earnings per share:		
As reported	$.45	$1.67
Pro forma	.33	1.59

The SFAS 123 fair value method of accounting is not required to be applied to options granted prior to May 1, 1995, therefore, the pro forma compensation cost may not be representative of that to be expected in future years. Compensation cost for 1997 includes options granted during a two-year period, whereas 1996 includes compensation cost for options granted during that year.

For the purposes of computing the pro forma effects of stock option grants under the fair value accounting method, the fair value of each stock option grant was estimated on the date of the grant using the Black-Scholes option pricing model. The weighted-average fair value of stock options granted during 1997 and 1996 was $6.14 and $8.46, respectively. The following weighted-average assumptions were used for grants during the following periods:

	Year Ended April 30	
	1997	1996
Risk-free interest rate	6.28%	5.89%
Expected life	3 years	3 years
Expected volatility	34.08%	35.32%
Dividend yield	2.42%	1.99%

SHAREHOLDER RIGHTS PLAN

On July 14, 1988, the Company's Board of Directors adopted a shareholder rights plan to deter coercive or unfair takeover tactics and to prevent a potential acquiror from gaining control of the Company without offering a fair price to all of the Company's stockholders. The plan was amended by the Board of Directors on May 9, 1990, September 11, 1991, and May 10, 1995. Under the plan, a dividend of one right (a "Right") per share was declared and paid on each share of the Company's Common Stock outstanding on July 25, 1988. As to shares issued after such date, Rights automatically attach to them after their issuance.

Under the plan, as amended, a Right becomes exercisable when a person or group of persons acquires beneficial ownership of 10% or more of the outstanding shares of the Company's Common Stock without the prior written approval of the Company's Board of Directors (an "Unapproved Stock Acquisition"), and after 10 business days following the commencement of a tender offer that would result in an Unapproved Stock Acquisition. When exercisable, the registered holder of each Right may purchase from the Company one two-hundredths of a share of a new class of the Company's Participating Preferred Stock, without par value, at a price of $60.00, subject to adjustment. The registered holder of each Right then also has the right (the

"Subscription Right") to purchase for the exercise price of the Right, in lieu of shares of Participating Preferred Stock, a number of shares of the Company's Common Stock having a market value equal to twice the exercise price of the Right. Following an Unapproved Stock Acquisition, if the Company is involved in a merger, or 50% or more of the Company's assets or earning power are sold, the registered holder of each Right has the right (the "Merger Right") to purchase for the exercise price of the Right a number of shares of the common stock of the surviving or purchasing company having a market value equal to twice the exercise price of the Right.

After an Unapproved Stock Acquisition, but before any person or group of persons acquires 50% or more of the outstanding shares of the Company's Common Stock, the Board of Directors may exchange all or part of the then outstanding and exercisable Rights for Common Stock at an exchange ratio of one share of Common Stock per Right (the "Exchange"). Upon any such Exchange, the right of any holder to exercise a Right terminates. Upon the occurrence of any of the events giving rise to the exercisability of the Subscription Right or the Merger Right or the ability of the Board of Directors to effect the Exchange, the Rights held by the acquiring person or group become void as they relate to the Subscription Right, the Merger Right or the Exchange.

The Company may redeem the Rights at a price of $.005 per Right at any time prior to an Unapproved Stock Acquisition (and after such time in certain circumstances). The Rights expire on July 25, 1998, unless extended by the Board of Directors. Until a Right is exercised, the holder thereof, as such, has no rights as a stockholder of the Company, including the right to vote or to receive dividends. The issuance of the Rights alone has no dilutive effect and does not affect reported net earnings per share.

OTHER EXPENSES

Included in other expenses are the following:

	Year Ended April 30		
	1997	1996	1995
Bad debts	$90,134	$31,766	$13,983
Purchased services	71,901	44,646	18,211
Royalties	68,653	77,926	59,027
Legal and professional	30,626	23,877	8,969
Travel and entertainment	24,971	26,349	20,077
Taxes and licenses	21,141	11,151	11,943
Interest	11,661	3,969	4,060
Amortization of goodwill	8,878	14,595	4,875

Also included in other expenses for the year ended April 30, 1997 are charges totaling $34,754. Of the total, $17,713 related to the potential sale or other disposition of certain assets and business operations of a corporate computer software group; the consolidation of certain U.S.-based staff functions and office facilities; the renegotiation of certain third-party customer service agreements; and the write-off of certain obsolete software costs for billing and customer service systems. An additional $9,191 related to further consolidation of Columbus-area office facilities and the sale or write-down of certain equity investments in providers of content and technologies. The remaining $7,850 was due to the withdrawal of the WOW! online service from the marketplace as of January 31, 1997.

TAXES ON EARNINGS
The components of earnings before income taxes and minority interest upon which Federal and foreign income taxes have been provided are as follows:

	Year Ended April 30 1997	1996	1995
United States	$27,967	$276,586	$213,122
Foreign	10,589	8,708	6,874
	$38,556	$285,294	$219,996

Deferred income tax provisions (benefits) reflect the impact of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The current and deferred components of taxes on earnings is comprised of the following:

	Year Ended April 30 1997	1996	1995
Currently payable:			
Federal	$20,504	$ 47,357	$ 96,686
State	3,036	6,047	13,511
Foreign	5,041	2,083	3,274
	28,581	55,487	113,471
Deferred:			
Federal	(12,110)	44,926	(625)
State	(1,793)	5,736	(88)
Foreign	(65)	1,977	(21)
	(13,968)	52,639	(734)
	$14,613	$108,126	$112,737

Provision is not made for possible income taxes payable upon distribution of unremitted earnings of foreign subsidiaries. Such unremitted earnings aggregated $58,996 at December 31, 1996. Management believes the cost to repatriate these earnings would not be material.

The following table reconciles the U.S. Federal income tax rate to the Company's effective tax rate:

	Year Ended April 30 1997	1996	1995
Statutory rate	35.0%	35.0%	35.0%
Increases (reductions) in income taxes resulting from:			
State income taxes, net of Federal income tax benefit	2.1%	2.7%	4.0%
Foreign taxes, net of Federal income tax benefit	3.3%	.4%	.3%
Purchased research and development	-	-	13.3%
Nontaxable Federal income	(3.2%)	(.7%)	(2.3%)
Other	.7%	.5%	.9%
Effective rate	37.9%	37.9%	51.2%

A summary of deferred income taxes follows:

	April 30 1997	1996
Gross deferred tax assets:		
Accrued expenses	$(8,090)	$(13,336)
Other	(142)	-
Current	(8,232)	(13,336)
Deferred compensation	(13,414)	(12,155)
Impairment of assets	(2,573)	-
Depreciation	(2,330)	-
State net operating loss carryforwards	(2,530)	-
Noncurrent	(20,847)	(12,155)
Gross deferred tax liabilities:		
Accrued income	1,878	-
Depreciation	28,095	20,375
Deferred subscriber acquisition costs	16,173	36,403
Product development costs	1,286	1,361
Capitalized research and development	1,043	716
Noncurrent	46,597	58,855
Net deferred tax liabilities	$19,396	$ 33,364

State net operating loss carryforwards will expire on various dates through 2011.

ACQUISITIONS

On April 14, 1997, the Company signed a definitive agreement to acquire Option One Mortgage Corporation ("Option One"), a California-based originator of nonconforming mortgage loans, for a cash purchase price equal to $190,000 plus adjusted stockholder's equity of Option One on the closing date. The acquisition, which will be accounted for as a purchase, was completed on June 17, 1997, subject to post-closing adjustments.

On April 4, 1995, the Company acquired SPRY for $41,785 in cash and issued Convertible Preferred Stock valued at $54,194. In addition, outstanding options for SPRY common stock were converted into options for Convertible Preferred Stock valued at $5,641. The transaction was accounted for as a purchase and, accordingly, the consolidated statements of earnings includes SPRY's operations from the date of acquisition. On January 30, 1996, the Company contributed its investment in SPRY to CompuServe. In connection with the purchase, the Company acquired certain intangible assets, including software technology, tradenames and an assembled workforce totalling $11,656. These intangibles are being amortized on a straight-line basis over five years. The Company also acquired research and development projects related to SPRY's next product generation. These projects represent SPRY's research and development efforts prior to the merger, which had not yet reached the stage of technological feasibility and had no alternative future use; thus, the ultimate revenue generating capability of these projects was uncertain. The purchased research and development was valued at $83,508 using a discounted, risk-adjusted future income approach. The consolidated statements of earnings includes a charge for the purchased research and development which is not deductible for income tax purposes. The fair value of assets acquired, including intangibles, was $106,371; liabilities assumed were $4,751. Liabilities assumed and the Convertible Preferred Stock and stock options issued were non-cash items excluded from the consolidated statements of cash flows.

During fiscal 1997, 1996 and 1995, the Company made other acquisitions which were accounted for as purchases. Their operations, which are not material, are included in the consolidated statements of earnings. Pro forma results assuming SPRY had been acquired as of the beginning of the period presented would not be materially different from reported results.

SALE OF SUBSIDIARIES

On April 19, 1996, CompuServe effected an initial public offering of 18,400,000 shares of its common stock at $30.00 per share, which reduced the Company's ownership in CompuServe to just over 80%. The Company did not recognize a gain on this transaction. Additional paid-in capital was increased by the change in the Company's proportionate share of CompuServe's equity as a result of the initial public offering, from which the net proceeds to CompuServe were $518,819.

On May 1, 1995, the Company sold its wholly owned subsidiary, MECA Software, Inc., exclusive of its rights to publish TaxCut, for $35,000 cash. The sale resulted in a gain of $12,445, which is included in other income for the year ended April 30, 1996.

On June 30, 1994, the Company sold the stock of Collier-Jackson, Inc., a wholly owned subsidiary of CompuServe, for $5,195 in cash. The operating results of Collier-Jackson, Inc. are reflected in the consolidated statements of earnings through the date of disposition, and the gain on the sale of $2,680 is included in other income.

COMMITMENTS AND CONTINGENCIES

Substantially all of the Company's operations are conducted in leased premises. Most of the operating leases are for a one-year period with renewal options of one to three years and provide for fixed monthly rentals. Lease commitments at April 30, 1997, for fiscal 1998, 1999, 2000, 2001 and 2002 aggregated $94,770, $73,394, $50,790, $24,699 and $13,393, respectively, with no significant commitments extending beyond that period of time. The Company's rent expense for the years 1997, 1996 and 1995 aggregated $96,795, $78,745 and $70,377, respectively.

The Company has commitments to its credit card holders to the extent of the unused credit limits on credit card loans. These commitments amounted to $923,348 and $712,314 at April 30, 1997 and 1996, respectively. The Company does not require collateral to secure credit card loan agreements. Commitments on credit card loans are cancelable by the Company at any time and do not necessarily represent future cash requirements.

The Company is obligated to purchase 80% of the mortgage loan volume of a third party which meets certain criteria as established by the Company. The Company purchased $122,535 of such loans during the year ended April 30, 1997, which may not be indicative of future obligations. The Company also extends warehouse financing of $50,000 to such third party to facilitate the accumulation of mortgage loans, of which $8,199 was drawn at April 30, 1997.

At April 30, 1997, the Company maintained a $400,000 line of credit to support various financial activities conducted by Block Financial Corporation and its commercial paper program. This line of credit was increased to $1,000,000 subsequent to April 30, 1997. The annual commitment fee required to support the availability of this facility is seven basis points per annum on the unused portion of the facility. The Company also maintained a $25,000 line of credit to fulfill short-term cash requirements of CompuServe, which expired in June 1997. There was no outstanding balance under these lines at April 30, 1997 and 1996.

During fiscal 1997, CompuServe, certain current and former officers and directors of CompuServe, and the Company were named as defendants in four purported class action lawsuits and one lawsuit based on the same allegations in which the plaintiff does not seek class action status. One purported class action lawsuit was voluntarily dismissed by the plaintiffs and such plaintiffs have joined as plaintiffs in one of the remaining class action lawsuits. One suit names the lead underwriters in the CompuServe initial public offering as additional defendants and as representatives of a defendant class consisting of all underwriters who participated in such offering. Each pending suit alleges similar violations of the Securities Act of 1933 based on assertions of omissions and misstatements of fact in connection with CompuServe's public filings related to its initial public offering. One suit also alleges violations of the Ohio Securities Code and common law of negligent misrepresentation. Another suit also alleges violations of Colorado, Florida and Ohio statutes and common law of negligent misrepresentation. Relief sought is unspecified but includes pleas for rescission and damages. In addition to the five previously mentioned lawsuits, an action for discovery was filed during fiscal 1997 solely against CompuServe. In such action the plaintiff seeks factual support for a possible additional claim relating to initial public offering disclosures. The defendants are vigorously defending these suits.

FINANCIAL INSTRUMENTS

The Company securitizes and sells fixed and variable rate mortgage loan receivables. As a part of its interest rate risk management strategy, the Company may choose to hedge its interest rate risk related to its mortgage portfolio by utilizing treasury rate guarantees. The Company classifies these treasury rate guarantees as hedges of specific loan receivables. The gains and losses derived from these treasury rate guarantees are deferred and included in the carrying amounts of the related hedged items and ultimately recognized in earnings. Deferred losses on the treasury rate guarantees used to hedge the anticipated transactions amounted to $142 at April 30, 1997. The contract value and market value of these financial instruments as of April 30, 1997 was $40,000 and $39,925, respectively.

The Company purchases treasury rate guarantees from certain broker-dealer counterparties. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

The Company is exposed to on-balance sheet credit risk related to its receivables. The Company is exposed to off-balance sheet credit risk related to mortgage loan receivables which the Company has commited to buy and commitments made to credit card holders to meet their financing needs.

QUARTERLY FINANCIAL DATA (UNAUDITED)

	Fiscal 1997 Quarter Ended				Fiscal 1996 Quarter Ended			
	April 30, 1997	Jan. 31, 1997	Oct. 31, 1996	July 31, 1996	April 30, 1996	Jan. 31, 1996	Oct. 31, 1995	July 31, 1995
Revenues	$1,085,891	$363,064	$ 253,450	$227,258	$921,931	$311,845	$221,046	$201,362
Earnings (loss) before income taxes (benefits) and minority interest	$ 313,197	$(44,085)	$(136,599)	$(93,957)	$299,163	$ (8,882)	$(13,470)	$ 8,483
Taxes (benefits) on earnings	117,329	(15,930)	(50,940)	(35,846)	113,452	(3,411)	(5,172)	3,257
Net earnings (loss) before minority interest	195,868	(28,155)	(85,659)	(58,111)	185,711	(5,471)	(8,298)	5,226
Minority interest	(3,567)	(2,829)	(11,531)	(5,885)	--	--	--	--
Net earnings (loss)	$ 199,435	$(25,326)	$(74,128)	$(52,226)	$185,711	$ (5,471)	$ (8,298)	$ 5,226
Net earnings (loss) per share	$ 1.90	$ (.24)	$ (.71)	$ (.50)	$ 1.75	$ (.05)	$ (.08)	$ .05

The Company recorded a charge to earnings of $17,713 in the first quarter of 1997 due to the potential sale or other disposition of certain assets and business operations of a corporate computer software group; the consolidation of certain U.S.-based staff functions and office facilities; the renegotiation of certain third-party customer service agreements; and the write-off of certain obsolete software costs for billing and customer service systems.

The Company also recorded charges to earnings in the second quarter of 1997 of $34,500 related to accelerated amortization of previously deferred CSi subscriber acquisition costs; $10,881 due to the write-off of all previously deferred subscriber acquisition costs for WOW! and SPRYNET; and $7,850 related to the withdrawal of the WOW! online service from the marketplace.

Additionally, the Company recorded a charge to earnings of $9,191 in the fourth quarter of 1997 related to further consolidation of Columbus-area office facilities and the sale or write-down of certain equity investments in providers of content and technologies.

SEGMENT INFORMATION

The principal business activity of the Company is providing services to the general public and business community. It operates in the following industry segments:

Tax Services: This segment is engaged in providing tax return preparation, filing and related services to the general public on a fee basis. Revenues are seasonal in nature and represent fees of company-owned offices and royalties from franchised offices.

Computer Services: This segment is engaged in providing computer information and networking services to corporations and individual computer owners via a proprietary data network and host servers located in Columbus and Dublin, Ohio.

Financial Services: This segment provides and invests primarily in financial services delivery technology and the related financial services delivered by that technology as well as financial services associated with Tax Services and its typical customer. It sponsors credit card loans, nonconforming mortgages and other financial services to existing CompuServe and Tax Services customers. This segment also provides personal productivity software to the general public and purchases participation interests in refund anticipation loans made by a third party lending institution.

Identifiable Assets: Identifiable assets are those assets, including the excess of cost over fair value of net tangible assets acquired, associated with each segment of the Company's operations. The remaining assets are classified as corporate assets and consist primarily of cash, marketable securities and corporate equipment.

Information concerning the Company's operations by industry segment for the years ended April 30, 1997, 1996 and 1995 is as follows:

	1997	1996	1995
REVENUES:			
Tax Services	$ 993,924	$ 831,455	$ 729,718
Computer Services	841,887	792,661	579,997
Financial Services	110,830	36,442	35,909
Unallocated corporate	1,012	3,636	695
Intersegment sales	(17,990)	(8,010)	(12,500)
Total revenues	$1,929,663	$1,656,184	$1,333,819
OPERATING EARNINGS:			
Tax Services	$ 217,124	$ 194,771	$ 147,740
Computer Services	(196,362)	87,332	147,313
Financial Services	7,053	(7,368)	(5,788)
Unallocated corporate	(9,989)	(10,880)	(12,260)
Purchased research and development	-	-	(83,508)
Total operating earnings	17,826	263,855	193,497
Investment income, net	20,730	8,994	23,703
Other, net	-	12,445	2,796
Earnings before income taxes and minority interest	$ 38,556	$ 285,294	$ 219,996
DEPRECIATION AND AMORTIZATION:			
Tax Services	$ 35,300	$ 23,499	$ 21,991
Computer Services	130,285	78,683	42,639
Financial Services	1,093	8,929	2,992
Corporate	133	129	62
Total depreciation and amortization	$ 166,811	$ 111,240	$ 67,684
IDENTIFIABLE ASSETS:			
Tax Services	$ 213,455	$ 141,031	$ 117,560
Computer Services	731,666	950,671	310,393
Financial Services	415,717	208,489	186,859
Corporate	545,420	455,700	482,501
Total assets	$1,906,258	$1,755,891	$1,097,313
CAPITAL EXPENDITURES:			
Tax Services	$ 43,159	$ 36,724	$ 26,033
Computer Services	125,753	227,710	99,690
Financial Services	1,450	938	2,135
Corporate	144	354	45
Total capital expenditures	$ 170,506	$ 265,726	$ 127,903

SUMMARIZED FINANCIAL INFORMATION

Summarized financial information for Block Financial Corporation, a wholly owned subsidiary of the Company,is presented below.

	April 30, 1997	April 30, 1996
Condensed balance sheets:		
Cash and cash equivalents	$ 3,425	$ 3,871
Finance receivables, net	380,206	191,210
Other assets	34,657	10,490
Total assets	$ 418,288	$ 205,571
Commercial paper	$ 269,619	$ 72,651
Other liabilities	26,867	15,451
Stockholder's equity	121,802	117,469
Total liabilities and stockholder's equity	$ 418,288	$ 205,571

	Year Ended April 30, 1997	1996	1995
Condensed statements of operarions:			
Revenues	$110,777	$ 36,854	$ 35,909
Earnings (loss) from operations	7,053	(7,368)	(5,788)
Earnings (loss) before income taxes (benefit)	7,053	5,077	(5,788)
Net earnings (loss)	4,337	(255)	(4,284)

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
H&R Block, Inc.
Kansas City, Missouri

We have audited the accompanying consolidated balance sheets of H&R Block, Inc. and subsidiaries as of April 30, 1997 and 1996, and the related consolidated statements of earnings and cash flows for each of the three years in the period ended April 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of H&R Block, Inc., and subsidiaries as of April 30, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 1997, in conformity with generally accepted accounting principles.

As discussed in the notes to the consolidated financial statements, the Company changed its method of accounting for advertising costs during the year ended April 30, 1996.

/s/ Deloitte & Touche LLP

Deloitte & Touche LLP
Kansas City, Missouri
June 17, 1997

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements

The following financial statements, related notes and report, appear in Part II, Item 8, Financial Statements and Supplementary Data, included in this Form 10-K/A.

Consolidated Statements of Earnings
Consolidated Balance Sheets
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements
Quarterly Financial Data
Independent Auditors' Report

2. Financial Statement Schedules

Independent Auditors' Report

Schedule VIII - Valuation and Qualifying Accounts

Schedules not filed herewith are either not applicable, the information is not material or the information is set forth in the financial statements or notes thereto.

3. Exhibits

3(a) Restated Articles of Incorporation of H&R Block, Inc., as amended, filed as Exhibit 3(b) to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1996, are incorporated herein by reference.

3(b) Bylaws of H&R Block, Inc., as amended, filed as Exhibit 3(b) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1995, are incorporated herein by reference.

4(a) Conformed copy of Rights Agreement dated as of July 14, 1988 between H&R Block, Inc., and Centerre Trust Company of St. Louis, filed on August 9, 1993 as Exhibit 4(c) to the Company's Registration Statement on Form S-8 (File No. 33-67170), is incorporated herein by reference.

4(b) Copy of Amendment to Rights Agreement dated as of May 9, 1990 between H&R Block, Inc. and Boatmen's Trust Company, filed as Exhibit 4(b) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1995, is incorporated by reference.

4(c) Copy of Second Amendment to Rights Agreement dated September 11, 1991 between H&R Block, Inc. and Boatmen's Trust Company, filed as Exhibit 4(c) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1995, is incorporated by reference.

4(d) Copy of Third Amendment to Rights Agreement dated May 10, 1995 between H&R Block, Inc. and Boatmen's Trust Company, filed as Exhibit 4(d) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1995, is incorporated by reference.

4(e) Form of Certificate of Designation, Preferences and Rights of Participating Preferred Stock of H&R Block, Inc., filed as Exhibit 4(e) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1995, is incorporated by reference.

4(f) Form of Certificate of Designation, Preferences and Rights of Delayed Convertible Preferred Stock of H&R Block, Inc., filed as Exhibit 4(f) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1995, is incorporated by reference.

10(a) Stock Purchase Agreement dated April 14, 1997, among Fleet Financial Group, Inc., Fleet Holding Corp., H&R Block, Inc. and Block Financial Corporation, filed on July 2, 1997 as Exhibit 2.1 to the Company's current report on Form 8-K, is incorporated herein by reference.

10(b) The Company's 1993 Long-Term Executive Compensation Plan, as amended, filed as Exhibit 10(a) to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 1996, is incorporated herein by reference.

10(c) The H&R Block Long-Term Performance Program, as amended, filed as Exhibit 10(c) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1994, is incorporated herein by reference.

10(d) The H&R Block Deferred Compensation Plan for Directors, as amended, filed as Exhibit 10 to the Company's

quarterly report on Form 10-Q for the quarter ended July 31, 1994, is incorporated herein by reference.

10(e) Amendment No. 2 to H&R Block Deferred Compensation Plan for Directors, filed as Exhibit 10(c) to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 1997, is incorporated herein by reference.

10(f) The H&R Block Deferred Compensation Plan for Executives, as amended (Amendments 1 through 5), filed as Exhibit 10(e) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1994, is incorporated herein by reference.

10(g) Amendment No. 6 to H&R Block Deferred Compensation Plan for Executives, filed as Exhibit 10(b) to the Company's quarterly report on Form 10-Q for the quarter ended July 31, 1995, is incorporated herein by reference.

10(h) Amendment No. 7 to H&R Block Deferred Compensation Plan for Executives, filed as Exhibit 10(a) to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 1997, is incorporated herein by reference.

10(i) The H&R Block Supplemental Deferred Compensation Plan for Executives, filed as Exhibit 10(f) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1994, is incorporated herein by reference.

10(j) Amendment No. 1 to H&R Block Supplemental Deferred Compensation Plan for Executives, filed as Exhibit 10(a) to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1994, is incorporated herein by reference.

10(k) Amendment No. 2 to H&R Block Supplemental Deferred Compensation

Plan for Executives, filed as Exhibit 10(c) to the Company's quarterly report on Form 10-Q for the quarter ended July 31, 1995, is incorporated herein by reference.

10(l) Amendment No. 3 to H&R Block Supplemental Deferred Compensation Plan for Executives, filed as Exhibit 10(b) to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 1997, is incorporated herein by reference.

10(m) The H&R Block Short-Term Incentive Plan, filed as Exhibit 10(a) to the Company's quarterly report on

Form 10-Q for the quarter ended October 31, 1996, is incorporated herein by reference.

10(n) The Amended and Restated H&R Block, Inc. Retirement Plan for Non-Employee Directors, filed as Exhibit 10(h) to the Company's annual report on Form 10-K for the fiscal year ended April 30, 1995, is incorporated herein by reference.

10(o) The Company's 1989 Stock Option Plan for Outside Directors, as amended.

10(p) Employment Agreement dated October 11, 1996, between the Company and Frank L. Salizzoni, filed as Exhibit 10(b) to the Company's quarterly report on Form 10-Q for the quarter ended October 31, 1996, is incorporated herein by reference.

11 Statement re Computation of Per Share Earnings.

13 That portion of the annual report to security holders for the fiscal year ended April 30, 1997 which is expressly incorporated by reference in the Annual Report on Form 10-k for such fiscal year. Portions of such annual report to security holders not expressly incorporated by reference in this Amendment Number 1 to the Annual Report on Form 10-K are not deemed "filed" with the Commission.

21 Subsidiaries of the Company.

23 The consent of Deloitte & Touche LLP, Certified Public Accountants, is located immediately after the signature pages contained in this filing.

27 Financial Data Schedule.

(b) Reports on Form 8-K.

The registrant filed a Current Report on Form 8-K on April 22, 1997, reporting as an "Other Event" the registrant's issuance of a press release announcing the agreement of Block Financial Corporation to purchase all of the stock of Option One Mortgage Corporation. The press release was included as Exhibit 99.1 to the Form 8-K. No financial statements were filed as a part of the Form 8-K. Except for the Form 8-K filed on April 22, 1997, the registrant did not file any reports on Form 8-K during the fourth quarter of the year ended April 30, 1997.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Amendmment Number 1 to Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

H&R BLOCK, INC.

August 14, 1997 By /s/ Ozzie Wenich

Ozzie Wenich, Senior Vice
President, Chief Financial
Officer and Treasurer