SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JULY 31, 1996

[ ] 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 No.)

4400 MAIN STREET
KANSAS CITY, MISSOURI 64111
(Address of principal executive offices, including zip code)

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

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
--- ---

The number of shares outstanding of the registrant's Common Stock, without par value, at August 31, 1996 was 103,997,246 shares.

TABLE OF CONTENTS

H&R BLOCK, INC.
CONSOLIDATED BALANCE SHEETS
Unaudited, amounts in thousands, except share amounts

	JULY 31, 1996	APRIL 30, 1996
ASSETS		
CURRENT ASSETS		
Cash (including certificates of deposit of $66,915 and $22,093)	$ 151,155	$ 339,055
Marketable securities	293,716	389,557
Receivables, less allowance for doubtful accounts	357,040	333,734
Prepaids and other current assets	62,804	59,912
TOTAL CURRENT ASSETS	864,715	1,122,258
INVESTMENTS AND OTHER ASSETS		
Investments in marketable securities	18,313	17,081
Excess of cost over fair value of net tangible assets acquired, net	77,485	61,141
Deferred subscriber acquisition costs, net	104,438	96,636
Other	61,803	59,201
	262,039	234,059
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation and amortization	435,076	399,574
	$ 1,561,830	$ 1,755,891
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable	$ 112,109	$ 72,651
Accounts payable, accrued expenses and deposits	166,645	201,320
Accrued salaries, wages and payroll taxes	22,214	109,870
Accrued taxes on earnings	43,438	94,406
TOTAL CURRENT LIABILITIES	344,406	478,247
DEFERRED INCOME TAXES	52,024	46,700
OTHER NONCURRENT LIABILITIES	40,334	38,222
MINORITY INTEREST	147,245	153,129
CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, no par, stated value $.01 per share	1,089	1,089
Convertible preferred stock, no par, stated value $.01 per share	4	4
Additional paid-in capital	503,094	504,694
Retained earnings	664,372	747,212
	1,168,559	1,252,999
Less cost of 4,966,960 and 5,556,097 shares of common stock in treasury	190,738	213,406
	977,821	1,039,593
	$ 1,561,830	$ 1,755,891

See Notes to Consolidated Financial Statements.

H&R BLOCK, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited, amounts in thousands, except per share amounts

THREE MONTHS ENDED

	JULY 31, 1996	JULY 31, 1995
REVENUES		
Service revenues	$ 223,713	$ 199,347
Franchise royalties	1,817	1,395
Other revenues	1,728	620
	227,258	201,362
OPERATING EXPENSES		
Employee compensation and benefits	68,323	54,904
Occupancy and equipment	124,730	81,511
Marketing and advertising	31,601	3,577
Supplies, freight and postage	10,207	15,211
Other	93,428	54,428
	328,289	209,631
Operating loss	(101,031)	(8,269)
OTHER INCOME		
Investment income	7,074	4,307
Other	-	12,445
	7,074	16,752
Earnings (loss) before income taxes and minority interest	(93,957)	8,483
Income tax expense (benefit)	(35,846)	3,257
Net earnings (loss) before minority interest	(58,111)	5,226
Minority interest in consolidated subsidiary	(5,885)	-
Net earnings (loss)	$ (52,226)	$ 5,226
Weighted average number of shares outstanding	103,823	107,103
Net earnings (loss) per share	$ (.50)	$ .05
Dividends per share	$ .32	$ .3125

See Notes to Consolidated Financial Statements.

H&R BLOCK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited, amounts in thousands

	THREE MONTHS ENDED JULY 31, 1996	THREE MONTHS ENDED JULY 31, 1995
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings (loss)	$ (52,226)	$ 5,226
Adjustments to reconcile net earnings (loss) to net cash used in operating activities:		
Depreciation and amortization	37,588	27,563
Amortization of deferred subscriber acquisition costs	19,013	-
Gain on sale of subsidiaries	-	(12,445)
Deferred subscriber acquisition costs	(26,815)	-
Provision for deferred taxes	5,256	2,734
Other noncurrent liabilities	2,112	2,090
Minority interest	(5,885)	-
Changes in:		
Receivables	(23,306)	(3,888)
Prepaid expenses	(2,825)	(15,940)
Accounts payable, accrued expenses and deposits	(35,719)	(24,887)
Accrued salaries, wages and payroll taxes	(87,656)	(52,794)
Accrued taxes on earnings	(53,420)	(32,887)

NET CASH USED IN OPERATING ACTIVITIES	(223,883)	(105,228)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(641,688)	(287,390)
Maturities of marketable securities	742,794	393,821
Purchases of property and equipment	(66,108)	(46,013)
Excess of cost over fair value of net tangible assets acquired, net of cash acquired	(2,226)	(216)
Proceeds from sale of subsidiary	-	35,000
Other, net	(5,014)	(6,563)
NET CASH PROVIDED BY INVESTING ACTIVITIES	27,758	88,639
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of notes payable	(1,298,813)	(309,547)
Proceeds from issuance of notes payable	1,338,271	303,995
Dividends paid	(33,095)	(32,767)
Proceeds from stock options exercised	1,862	3,297
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	8,225	(35,022)
NET DECREASE IN CASH	(187,900)	(51,611)
CASH AT BEGINNING OF PERIOD	339,055	90,248
CASH AT END OF PERIOD	$ 151,155	$ 38,637
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Income taxes paid	$ 12,319	$ 33,408
Interest paid	1,343	840

See Notes to Consolidated Financial Statements.

H&R BLOCK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited, dollars in thousands, except share data

1. The Consolidated Balance Sheet as of July 31, 1996, the Consolidated Statements of Operations for the three months ended July 31, 1996 and 1995 and the Consolidated Statements of Cash Flows for the three months ended July 31, 1996 and 1995 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at July 31, 1996 and for all periods presented have been made.

   Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's April 30, 1996 Annual Report to Shareholders.

   Certain reclassifications have been made to prior period amounts to conform to current period presentation and to reflect the reclassification of CompuServe Corporation's operations as described in Note 3.

   Operating revenues are seasonal in nature with peak revenues occurring in the months January through April. Thus, the three month results are not indicative of results to be expected for the year.

2. Included in other expenses for the three months ended July 31, 1996 is a charge totaling $17,713 recorded by the Computer Services segment. This charge relates to the estimated loss on 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.

3. On July 16, 1996, the Company's Board of Directors approved a plan to spin-off the Company's remaining ownership interest of approximately 80.1% in CompuServe Corporation ("CompuServe") on or about November 1,

1996. The spin-off was subject to, among other things, shareholder approval at the Company's annual meeting on September 11, 1996 and a favorable ruling from the Internal Revenue Service as to the tax-free nature of the distribution.

On August 28, 1996, the Company's Board of Directors decided not to present the proposed spin-off to shareholders at the September 1996 annual meeting. This decision was based, in part, on CompuServe's reported first quarter and projected second quarter losses, market uncertainties related to the online industry and the planned September introduction of new interfaces for CompuServe Information Service and WOW! As a result of this action, the accompanying balance sheet as of April 30, 1996 has been reclassified to include CompuServe's net assets as continuing operations.

4. During the quarter ended July 31, 1996, the net unrealized holding gain on available-for-sale securities decreased $323 to $846.

5. The Company files its Federal and state income tax returns on a calendar year basis. The Consolidated Statements of Operations reflect the effective tax rates expected to be applicable for the respective full fiscal years.

6. Net earnings (loss) per common share is based on the weighted average number of shares outstanding during each period, including, where applicable, the dilutive effect of stock options and convertible preferred stock outstanding. The weighted average shares outstanding for the first quarter of fiscal 1997 decreased to 103,823,000 from 107,103,000 last year, due to common stock equivalents which were dilutive in the first quarter of last year.

7. During the three months ended July 31, 1996 and 1995, the Company issued 27,406 and 48,905 shares, respectively, pursuant to provisions for exercise of its stock option plans.

8. In June 1996, a purported shareholder class action complaint was filed against CompuServe and the Company in the Court of Common Pleas, Franklin County, Ohio, entitled Greenfield v. CompuServe Corporation et al. A second purported shareholder class action suit was filed in July 1996 against CompuServe and the Company in federal district court for the Southern District of Ohio, entitled Romine v. CompuServe Corporation, et al. A third purported shareholder class action suit was filed in August 1996 against CompuServe, the Company and the lead underwriters in CompuServe's initial public offering of its common stock in April 1996 (the "IPO") in federal district court for the District of Minnesota, entitled Acker v. CompuServe Corporation, et al. These three complaints also name certain officers and directors of CompuServe at the time of the IPO as additional defendants. Each 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 the IPO. The Greenfield suit also alleges similar violations of the Ohio Securities Code and common law of negligent misrepresentation. Relief sought is unspecified but includes pleas for rescission and damages. In August 1996, an action for discovery was filed solely against CompuServe on behalf of a shareholder in the Court of Common Pleas, Franklin County, Ohio, entitled Schnipper v. CompuServe Corporation, seeking factual support for a possible fourth claim relating to disclosures in connection with the IPO. The Company and CompuServe intend to vigorously defend these suits.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

These comments should be read in conjunction with the Consolidated Balance Sheets and Consolidated Statements of Cash Flows found on pages 1 and 3, respectively.

Working capital decreased from $644.0 million at April 30, 1996 to $520.3 million at July 31, 1996. The working capital ratio at July 31, 1996 was 2.5 to 1 compared to 2.3 to 1 at April 30, 1996. The decrease in working capital must be viewed in the context of the Company's business which is seasonal, with peak activity in the fourth quarter, due to the nature of the Company's Tax Services segment. Tax return preparation occurs almost entirely in the fourth quarter and has the effect of increasing certain assets and liabilities during this time.

The Company has no long-term debt. However, the Company maintains seasonal lines of credit to support short-term borrowing facilities in the United States and Canada. During the months of January through April, the Company's Canadian Tax Services regularly incurs short-term borrowings to purchase refunds due its clients. Additionally, Block Financial Corporation (BFC), a wholly-owned subsidiary of the Company, incurs short-term borrowings throughout the year to fund receivables associated with its credit card and other financial service programs. At July 31, 1996, short-term borrowings used to fund credit card receivables and other programs totaled $112.1 million, compared to $72.7 million at April 30, 1996. The Company maintains a year-round $150 million line of credit to support various financial activities conducted by BFC, as well as a $25 million line of credit to support liquidity needs of CompuServe Corporation ("CompuServe").

During the upcoming tax season, the Company plans to use short-term borrowings to purchase a participating interest of 40 to nearly 50 percent in certain Refund Anticipation Loans ("RALs") offered through Beneficial National Bank. RALs are loans that are expected to be retired by an income tax refund.

The Company's capital expenditures and dividend payments during the first three months were funded through internally-generated funds and the proceeds from CompuServe Corporation's initial public offering of its common stock in April 1996.

On July 16, 1996, the Company's Board of Directors approved a plan to spin-off the Company's remaining interest of approximately 80.1% in CompuServe Corporation ("CompuServe") on or about November 1, 1996. The spin-off was subject to, among other things, shareholder approval at the Company's annual meeting on September 11, 1996 and a favorable ruling from the Internal Revenue Service as to the tax-free nature of the distribution.

On August 28, 1996, the Company's Board of Directors decided not to present the proposed spin-off to shareholders at the September 1996 annual meeting. This decision was based, in part, on CompuServe's reported first quarter and projected second quarter losses, market uncertainties related to the online industry and the planned September introduction of new interfaces for CompuServe Information Service and WOW! As a result of this action, the accompanying balance sheet as of April 30, 1996 has been reclassified to include CompuServe's net assets as continuing operations.

In August 1996, CompuServe announced that incremental costs associated with the introduction of CompuServe 3.0 and a new release of WOW! directed toward teenagers are anticipated to result in a significant second quarter loss reported by the Computer Services segment. In conjunction with the $17.7 million charge described in the Notes to Consolidated Financial Statements, CompuServe expects to reduce costs over $20 million for the balance of fiscal 1997 and over $30 million on an annualized basis.

RESULTS OF OPERATIONS

The analysis of operations that follows should be read in conjunction with the table below and the Consolidated Statements of Operations found on page 2.

Prior period amounts have been reclassified to conform to current period presentation.

THREE MONTHS ENDED JULY 31, 1996 COMPARED TO
THREE MONTHS ENDED JULY 31, 1995
(AMOUNTS IN THOUSANDS)

	Revenues		Earnings (loss)	
	1996	1995	1996	1995
Computer services	$ 208,642	$ 186,550	$ (48,070)	$ 44,130
Tax services	12,282	9,956	(45,229)	(41,219)
Financial services	8,224	6,292	(1,022)	3,484
Unallocated corporate	109	575	(3,579)	(2,219)
Corporate investment income	-	-	3,943	4,307
Inter-segment sales	(1,999)	(2,011)	-	-
	$ 227,258	$ 201,362	(93,957)	8,483
Income tax expense (benefit)			(35,846)	3,257
Net earnings (loss) before minority interest			(58,111)	5,226
Minority interest			(5,885)	-
Net earnings (loss)			$ (52,226)	$ 5,226

Consolidated revenues for the three months ended July 31, 1996 increased 12.9% to $227.258 million from $201.362 million last year. All of the operating segments contributed to the increase in revenues.

The consolidated pretax loss before minority interest for the first quarter of fiscal 1997 was $93.957 million, compared to pretax earnings of $8.483 million in the first quarter of last year. The unfavorable trend in operating results is primarily due to the Computer Services segment, which had a pretax loss of $48.070 million compared to pretax earnings of $44.130 million last year. Additionally, last year's results include the gain on the sale of MECA Software, Inc. of $12.445 million before taxes, partially offset by a write-down of impaired assets associated with the tax preparation software business of $8.389 million. The net loss was $52.226 million, or $.50 per share, compared to net earnings of $5.226 million, or $.05 per share, for the same period last year.

An analysis of operations by segment follows.

COMPUTER SERVICES

Revenues increased 11.8% to $208.642 million from $186.550 million in the comparable period last year due to increases in both Online Services and Network Services revenues. Online Services revenues were 5.4% better than last year as a result of an increase in the number of subscribers. The number of CompuServe Information Service ("CIS") subscribers at July 31, 1996, exclusive of the Japanese licensee, increased 26.1% to 3.1 million from 2.4 million last year. This increase was significantly offset by a 24.2% decrease in the average monthly CIS total revenue per subscriber, which was $14.48 for the quarter ended July 31, 1996 compared to $19.11 for last year's first quarter. This decrease is directly related to the new pricing structure implemented in September 1995, which was the largest reduction in the history of the company. Average monthly CIS total revenue per subscriber includes revenues from fees, usage, product sales, online advertising, mall, magazine and CD-ROM subscriptions.

Network Services revenues were 31.5% better than last year, also due to an increase in the number of network customers and increased usage by existing customers. The number of network customers increased 24.9% over last year to 1,009. Commercial customer hours increased to 19.5 million hours this quarter from 9.7 million in last year's comparable quarter.

Operating expenses increased 82.4% to $259.843 million from $142.420 million last year. Nearly half of the increase in expenses is attributable to the cost of increased network hours and higher outsourced customer service costs and additional customer service and network operations staff to support significant world-wide customer growth during the past year. Online subscriber hours increased 83.7% to 38.1 million hours for the first quarter of fiscal 1997 from 20.7 million hours in the comparable period last year. Marketing expenses for the quarter increased $31.454 million over last year, due to $9.2 million expended for the new WOW! service launched in March 1996 and increased general consumer advertising on television and in periodicals. First quarter fiscal 1997 expenses also include a charge totalling $17.713 million before taxes. This charge relates to the estimated loss on 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 first quarter pretax loss was $48.070 million, compared to pretax earnings of $44.130 million in the first quarter of fiscal 1996. The current quarter pretax loss includes investment income of $3.131 million earned on the remaining IPO proceeds.

TAX SERVICES

Revenues increased 23.4% to $12.282 million from $9.956 million last year, due primarily to higher tax preparation fees resulting from increases in pricing and in the number of returns prepared.

The pretax loss increased 9.7% to $45.229 million from $41.219 million in the first quarter of last year, due to anticipated increases in compensation, rent and utilities. Expenses for the quarter were higher than last year also due to incremental operating costs and goodwill amortization resulting from the acquisition of tax businesses during fiscal 1996. Due to the seasonality of this segment's business, first quarter operating results are not indicative of expected results for the entire fiscal year.

FINANCIAL SERVICES

Revenues increased 30.7% to $8.224 million compared to $6.292 million for the same period last year. The increase is primarily due to larger revolving balances associated with credit card operations.

The pretax loss was $1.022 million, compared to pretax earnings of $3.484 million in the first quarter of fiscal 1996. The first quarter of fiscal 1996 included a gain on the sale of MECA Software, Inc. of $12.445 million, partially offset by a write-down of impaired assets associated with the tax preparation software business of $8.389 million. Exclusive of these items, the pretax loss increased from a loss of $572 thousand last year primarily due to increased employee-related and marketing expenses.

INVESTMENT INCOME

Investment income decreased 8.5% to $3.943 million from $4.307 million last year. The decrease resulted primarily from less funds available for investment in fiscal 1997.

CORPORATE AND ADMINISTRATIVE EXPENSES

The corporate and administrative pretax loss for the first quarter increased 61.3% to $3.579 million from $2.219 million in the comparable period last year, primarily due to increased employee- and shareholder-related expenses. Additionally, the Company incurred $535 thousand during the first quarter of this year in anticipation of the planned spin-off of its remaining investment in CompuServe. (See discussion under the Financial Condition section of Management's Discussion and Analysis.)

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In June 1996, a purported shareholder class action complaint was filed against CompuServe and the Company in the Court of Common Pleas, Franklin County, Ohio, entitled Greenfield v. CompuServe Corporation et al. A second purported shareholder class action suit was filed in July 1996 against CompuServe and the Company in federal district court for the Southern District of Ohio, entitled Romine v. CompuServe Corporation, et al. A third purported shareholder class action suit was filed in August 1996 against CompuServe, the Company and the lead underwriters in CompuServe's initial public offering of its common stock in April 1996 (the "IPO") in federal district court for the District of Minnesota, entitled Acker v. CompuServe Corporation, et al. These three complaints also name certain officers and directors of CompuServe at the time of the IPO as additional defendants. Each 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 the IPO. The Greenfield suit also alleges similar violations of the Ohio Securities Code and common law of negligent misrepresentation. Relief sought is unspecified but includes pleas for rescission and damages. In August 1996, an action for discovery was filed solely against CompuServe on behalf of a shareholder in the Court of Common Pleas, Franklin County, Ohio, entitled Schnipper v. CompuServe Corporation, seeking factual support for a possible fourth claim relating to disclosures in connection with the IPO. The Company and CompuServe intend to vigorously defend these suits.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

(27) Financial Data Schedule

(b) Reports on Form 8-K

The registrant did not file any reports on Form 8-K during the first quarter of fiscal year 1997.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

H&R BLOCK, INC.

(Registrant)

DATE 09/14/96 BY /s/ George T. Robson

George T. Robson
Senior Vice President,
Chief Financial Officer and Treasurer

DATE 09/14/96 BY /s/ Cheryl L. Givens

Cheryl L. Givens
Assistant Vice President
and Corporate Controller

<ARTICLE> 5
<LEGEND>
THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND THE CONSOLIDATED STATEMENTS OF OPERATIONS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>

<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	APR-30-1997
<PERIOD-END>	JUL-31-1996
<CASH>	151,155
<SECURITIES>	293,716
<RECEIVABLES>	364,151
<ALLOWANCES>	7,111
<INVENTORY>	0
<CURRENT-ASSETS>	864,715
<PP&E>	435,076<F1>
<DEPRECIATION>	0
<TOTAL-ASSETS>	1,561,830
<CURRENT-LIABILITIES>	344,406
<BONDS>	0
<COMMON>	1,089
<PREFERRED-MANDATORY>	0
<PREFERRED>	4
<OTHER-SE>	976,728
<TOTAL-LIABILITY-AND-EQUITY>	1,561,830
<SALES>	0
<TOTAL-REVENUES>	227,258
<CGS>	0
<TOTAL-COSTS>	328,289
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	0
<INCOME-PRETAX>	(93,957)
<INCOME-TAX>	(35,846)
<INCOME-CONTINUING>	(52,226)
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(52,226)
<EPS-PRIMARY>	(.50)
<EPS-DILUTED>	0

<FN>
<F1>PP&E BALANCE IS NET OF ACCUMULATED DEPRECIATION AND AMORITIZATION.
</FN>