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 October 31, 1995

[ ] 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 December 5, 1995 was 103,911,849 shares.

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

ASSETS	OCTOBER 31, 1995 (UNAUDITED)	APRIL 30, 1995 (AUDITED)
CURRENT ASSETS		
Cash (including certificates of deposit of $8,192 and $25,781)	$29,304	$ 90,248
Marketable securities	39,900	263,239
Receivables, less allowance for doubtful accounts of $7,141 and $7,274	258,827	260,198
Prepaid expenses	58,831	21,823
TOTAL CURRENT ASSETS	386,862	635,508
INVESTMENTS AND OTHER ASSETS		
Investments in marketable securities	64,343	91,494
Excess of cost over fair value of net tangible assets acquired, net of amortization	52,748	78,205
Other	60,365	45,383
	177,456	215,082
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation and amortization	288,170	227,448
	$ 852,488	$ 1,078,038
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable	$ 60,724	$ 49,421
Accounts payable, accrued expenses and deposits	128,070	145,909
Accrued salaries, wages and payroll taxes	23,871	71,281
Accrued taxes on income	35,129	92,100
TOTAL CURRENT LIABILITIES	247,794	358,711
OTHER NONCURRENT LIABILITIES	36,275	33,462
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	140,491	140,578
Retained earnings	634,908	700,423
	776,492	842,094
Less cost of 5,464,835 and 4,109,662 shares of common stock in treasury	208,073	156,229
	568,419	685,865
	$ 852,488	$ 1,078,038

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 OCTOBER 31, 1995	THREE MONTHS ENDED OCTOBER 31, 1994
REVENUES		
Service revenues	$ 216,464	$ 163,404
Franchise royalties	3,582	3,442
Investment income	2,866	4,554
Other income	1,001	1,457
	223,913	172,857
EXPENSES		
Employee compensation and benefits	61,523	49,908
Occupancy and equipment	89,727	64,072
Marketing and advertising	16,572	13,880
Supplies, freight and postage	17,931	10,878
Other	51,630	36,148
	237,383	174,886
LOSS BEFORE INCOME TAX BENEFIT	(13,470)	(2,029)
Income tax benefit	(5,172)	(777)
NET LOSS	$ (8,298)	$ (1,252)
Weighted average number of common shares outstanding	103,950	105,000
Net loss per share	$ (.08)	$ (.01)
Dividends per share	$ .32	$ .3125

See Notes to Consolidated Financial Statements.

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

	SIX MONTHS ENDED OCTOBER 31, 1995	SIX MONTHS ENDED OCTOBER 31, 1994

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REVENUES		
Service revenues	$ 415,811	$ 299,123
Franchise royalties	4,977	4,629
Investment income	7,173	9,705
Other income	14,066	4,800
	442,027	318,257
EXPENSES		
Employee compensation and benefits	116,427	94,902
Occupancy and equipment	171,238	124,982
Marketing and advertising	20,149	20,323
Supplies, freight and postage	33,142	17,558
Other	106,058	67,318
	447,014	325,083
LOSS BEFORE INCOME TAX BENEFIT	(4,987)	(6,826)
Income tax benefit	(1,915)	(2,614)
NET LOSS	$ (3,072)	$ (4,212)
Weighted average number of common shares outstanding	104,423	105,063
Net loss per share	$ (.03)	$(.04)
Dividends per share	$ .6325	$ .5925

See Notes to Consolidated Financial Statements.

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

	SIX MONTHS ENDED OCTOBER 31,	
	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (3,072)	$ (4,212)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	49,811	31,481
Gain on sale of subsidiaries	(12,445)	(2,796)
Other noncurrent liabilities	2,813	7,002
Changes in:		
Receivables	(4,388)	2,483
Prepaid expenses	(37,629)	(15,988)
Accounts payable, accrued expenses and deposits	(15,003)	(36,725)
Accrued salaries, wages and payroll taxes	(46,872)	(38,814)
Accrued taxes on income	(57,826)	(78,033)
NET CASH USED IN OPERATING ACTIVITIES	(124,611)	(135,602)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(354,642)	(843,724)
Maturities of marketable securities	607,353	1,043,297
Purchases of property and equipment	(101,156)	(44,167)
Excess of cost over fair value of net tangible assets acquired	(2,626)	(2,150)
Proceeds from sale of subsidiary	35,000	-
Other, net	(14,522)	4,750
NET CASH PROVIDED BY INVESTING ACTIVITIES	169,407	158,006
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of notes payable	(665,412)	(749,612)
Proceeds from issuance of notes payable	676,715	813,362
Dividends paid	(65,112)	(62,948)
Payments to acquire treasury shares	(59,453)	(83,112)
Proceeds from stock options exercised	7,522	52,754

NET CASH USED IN FINANCING ACTIVITIES	(105,740)	(29,556)
NET DECREASE IN CASH	(60,944)	(7,152)
CASH AT BEGINNING OF PERIOD	90,248	41,343
CASH AT END OF PERIOD	$ 29,304	$ 34,191
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Income taxes paid	$ 55,909	$74,023
Interest paid	1,455	1,185

See Notes to Consolidated Financial Statements.

H&R BLOCK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

1. The Consolidated Balance Sheet as of October 31, 1995, the Consolidated Statements of Operations for the three and six months ended October 31, 1995 and 1994, and the Consolidated Statements of Cash Flows for the six months ended October 31, 1995 and 1994 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 October 31, 1995 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, 1995 Annual Report to Shareholders.

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

2. On May 1, 1995, the Company sold its wholly-owned subsidiary, MECA Software, Inc., exclusive of its rights to publish TaxCut, for $35,000,000 cash. The sale resulted in a pretax gain of $12,445,000, which is included in other income in the Consolidated Statements of Operations. MECA Software, Inc. was part of the Financial Services segment.

3. On May 1, 1995, the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This Statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used. In connection with the adoption of this Statement, the Company reviewed the assets and related goodwill of its personal tax preparation software business for impairment. Since the expected future cash flows of this business, undiscounted and without interest charges, were less than the carrying value of the assets, the Company recognized an impairment loss of $8,389,000. 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. The loss is included in other expenses in the Consolidated Statements of Operations. The personal tax preparation business is reported in the Financial Services segment.

4. On May 1, 1995, the Company changed its method of accounting for direct response advertising costs to conform with the requirements of the American

Institute of Certified Public Accountants Statement of Position 93-7, "Reporting on Advertising Costs," which specifies the accounting for direct response advertising. Under this accounting method, direct response advertising costs that meet certain criteria are reported as assets and are amortized on a cost-pool-by-cost-pool basis over the period during which the future benefits are expected to be received. Such assets are amortized over a 24-month period, on an accelerated basis, beginning in the month subsequent to the expenditure. Direct response advertising consists primarily of magazine and newspaper advertisements, broadcast, direct mail costs including mailing lists and postage, and disk and CD-ROM costs related directly to new subscriber solicitations. No indirect costs are included in the capitalized direct response advertising. The net effect of the

change in accounting increased assets by $26,099,000, decreased the net loss by $16,077,000 and decreased the net loss per share by $.15 for the six months ended October 31, 1995. Amortization of direct response advertising assets was $2,821,000 for the six months ended October 31, 1995. The Company expenses advertising costs not classified as direct response the first time the advertising takes place.

5. During the six months ended October 31, 1995, the net unrealized holding gain on available-for-sale securities increased $1,368,000 to $1,603,000.

6. 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.

7. Net loss per common share is based on the weighted average number of shares outstanding during each period. The weighted average shares outstanding for the six months ended October 31, 1995 declined to 104,423,000 from 105,063,000 last year, due to repurchase of outstanding shares, partially offset by the issuance of treasury shares for stock option exercises.

8. During the six months ended October 31, 1995 and 1994, the Company issued 200,327 and 1,452,473 shares, respectively, pursuant to provisions for exercise of stock options under its stock option plans; during the same periods, the Company acquired 1,555,500 and 2,041,500 shares of its common stock at an aggregate cost of $59,453,000 and $83,112,000, respectively.

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 4, respectively.

Working capital decreased from $276.8 million at April 30, 1995 to $139.1 million at October 31, 1995. The working capital ratio at October 31, 1995 is 1.6 to 1, compared to 1.8 to 1 at April 30, 1995. The decrease in working capital and working capital ratio 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. 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 program. At October 31, 1995, short-term borrowings used to fund credit card receivables totalled $40.8 million, compared to $49.4 million at April 30, 1995. Additionally, short-term borrowings of $19.9 million were outstanding at October 31, 1995 to meet operating cash requirements of the Company. The Company also maintains a year-round $100 million line of credit to support various financial activities conducted by BFC.

The Company's acquisition of treasury shares, capital expenditures and dividend payments during the first six months were funded primarily through internally-generated funds. In October, the Company began borrowing on a short-term basis to meet certain cash requirements. Management anticipates such borrowings will continue through January 1996, at which time the Tax Services segment will produce positive cash flows as a result of the tax season. Management anticipates seasonal short-term borrowing to fund operations during October through January in the next two fiscal years.

The Company's Board of Directors has approved a series of investment initiatives for CompuServe Incorporated designed to enhance its long-term competitiveness and take advantage of accelerating growth opportunities in the market for online services. These initiatives include the launch of a new consumer online service, a simplified and less expensive pricing structure, two new interfaces, infrastructure expenditures and expansion of Internet activities offered through the various online services. The estimated cost of this undertaking, net of capitalized direct response advertising, is in excess of $70 million for fiscal 1996, and will therefore reduce the Company's fiscal 1996 profitability. However, management anticipates that these initiatives will have a positive impact on revenues in fiscal 1996 and on earnings beginning in fiscal 1997.

During the second quarter, the Company's Board of Directors announced resumption of the previously approved stock buyback program for ten million shares, initiated in December 1993. This program was suspended while consideration was given to the strategic investments in CompuServe described above. As of October 31, 1995, the Company has purchased 4,479,500 of the ten million shares authorized for repurchase.

RESULTS OF OPERATIONS

The analysis that follows should be read in conjunction with the table below and the Consolidated Statements of Operations found on pages 2 and 3.

During the first quarter of fiscal 1996, the Company sold its wholly-owned subsidiary, MECA Software, Inc. for $35 million cash, and recorded a pretax gain of $12.445 million. Additionally, an impairment loss of $8.389 million was recognized related to the assets of the tax preparation software operations of the Company. The operations of MECA prior to the sale, the gain on the sale and the impairment loss are included in the Financial Services segment.

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

THREE MONTHS ENDED OCTOBER 31, 1995 COMPARED TO
THREE MONTHS ENDED OCTOBER 31, 1994
(AMOUNTS IN THOUSANDS)

	Revenues		Earnings (loss)	
	1995	1994	1995	1994
Computer services	$ 188,373	$ 136,631	$ 22,072	$ 34,336
Tax services	27,602	27,733	(34,351)	(35,114)
Financial services	6,815	5,286	(1,504)	(3,214)
Intersegment sales	(1,999)	(2,775)	-	-
	220,791	166,875	(13,783)	(3,992)

Investment income	2,867	4,554	2,867	4,554
Unallocated corporate	255	1,428	(2,554)	(2,591)
	$ 223,913	$ 172,857	(13,470)	(2,029)
Income tax benefit			(5,172)	(777)
Net loss			$ (8,298)	$ (1,252)

Consolidated revenues for the three months ended October 31, 1995 increased 29.5% to $223.913 million from $172.857 million reported last year. The increase is primarily due to greater revenues reported by the Computer Services segment.

The consolidated pretax loss for the second quarter of fiscal 1996 increased to $13.470 million from $2.029 million in the second quarter of last year. The significant change in the second quarter loss is due to the Computer Services segment and investment income, slightly offset by improved results reported by the Financial Services segment.

The net loss was $8.298 million, or $.08 per share, compared to $1.252 million, or $.01 per share, for the same period last year.

An analysis of operations by segment follows.

COMPUTER SERVICES

Revenues increased 37.9% to $188.373 million from $136.631 million in the comparable period last year, due to increases in consumer, network and Internet revenues. Consumer Services revenues were 34.8% better than last year, despite the largest price decrease in the history of CompuServe in September 1995

and the price decrease effected in February 1995. The growth in consumer revenues is due to customer acquisitions and increased usage. The number of worldwide users of CompuServe and its licensees and distributors increased 1.5 million to 3.8 million at the end of the second quarter of fiscal 1996. Network Services revenues were 31.9% better than last year, also due to increasing usage and new customers. Additionally, revenues from Internet software sales, which is new in fiscal 1996, contributed revenues of $8.788 million in the second quarter.

Pretax earnings decreased 35.7% to $22.072 million from $34.336 million in the second quarter of fiscal 1995. Pretax earnings as a percentage of revenues was 11.7% for the second quarter of fiscal 1996, compared to 25.1% for the same period last year. The decrease in pretax earnings and the pretax margin resulted from the significant price decreases in February and September 1995 related to the CompuServe online services.

TAX SERVICES

Revenues decreased 0.5% to $27.602 million from $27.733 million last year, due to lower tuition tax school fees in the United States, nearly offset by greater revenues generated by Australian tax operations during its tax season.

The pretax loss improved by 2.2% to $34.351 million from $35.114 million in the second quarter of last year, due to lower employer taxes on stock option exercises caused by a significant decrease in seasonal options exercised during September.

FINANCIAL SERVICES

Revenues increased 28.9% to $6.815 million from $5.286 million in the same period last year. The increase in revenues was due to credit card operations which experienced an increase in cards outstanding and higher revolving balances.

The pretax loss decreased to $1.504 million from $3.214 million in the second quarter of fiscal 1995, due to the improvement in credit card operations and the absence of losses in fiscal 1996 of operations which were sold at the beginning of the year.

INVESTMENT INCOME

Investment income decreased 37.0% to $2.867 million from $4.554 million last year. The decrease resulted primarily from less funds available for investment, caused by increased capital expenditures and investments in marketing and advertising, particularly related to the Computer Services segment, increased treasury share purchases and a decrease in proceeds from stock options exercised.

CORPORATE AND ADMINISTRATIVE EXPENSES

The corporate and administrative pretax loss for the second quarter decreased 1.4% to $2.554 million from $2.591 million in the comparable period last year.

THREE MONTHS ENDED OCTOBER 31, 1995 (SECOND QUARTER) COMPARED TO
THREE MONTHS ENDED JULY 31, 1995 (FIRST QUARTER)
(AMOUNTS IN THOUSANDS)

	Revenues		Earnings (loss)	
	2nd Qtr	1st Qtr	2nd Qtr	1st Qtr
Computer services	$ 188,373	$ 186,550	$ 22,072	$ 44,130
Tax services	27,602	9,956	(34,351)	(41,219)
Financial services	6,815	18,737	(1,504)	3,484
Intersegment sales	(1,999)	(2,011)	-	-
	220,791	213,232	(13,783)	6,395
Investment income	2,867	4,307	2,867	4,307
Unallocated corporate	255	575	(2,554)	(2,219)
	$ 223,913	$ 218,114	(13,470)	8,483
Income tax expense (benefit)			(5,172)	3,257
Net earnings (loss)			$ (8,298)	$ 5,226

Consolidated revenues increased 2.7% to $223.913 million from $218.114 million in the first quarter of fiscal 1996. The increase is due to higher revenues generated by the Tax Services segment.

The consolidated pretax loss was $13.470 million, compared to pretax earnings of $8.483 million for the three months ended July 31, 1995. The decline is largely due to Computer Services segment earnings which decreased by 50.0%, the gain on the sale of MECA Software, Inc. in the first quarter, net of the impairment loss, included in the Financial Services segment of $4.056 million, and decreased investment income.

The net loss was $8.298 million, or $.08 per share, compared to net earnings of $5.226 million, or $.05 per share, for the first quarter of fiscal 1996.

An analysis of operations by segment follows.

COMPUTER SERVICES

Revenues increased 1.0% to $188.373 million from $186.550 million reported in the first quarter of fiscal 1996. The increase is due to greater revenues generated by the Consumer Services and Network Services divisions, partially offset by a decline in revenues from Internet software sales. Consumer Services and Network Services revenues for the three months ended October 31, 1995 increased 1.8% and 5.7%, respectively, as compared to the first quarter of fiscal 1996. The growth in Consumer Services is due to customer acquisitions, net of the effect of the September 1995 price decrease. The number of worldwide users of CompuServe and its licensees and distributors increased 400,000 during the second quarter. The growth in Network Services resulted from increasing usage and new customers. The decline in sales of Internet software of $3.260 million was caused by management's decision to lower per unit sales prices. Management anticipates that further price reductions will be made during fiscal 1996.

Pretax earnings decreased 50.0% to $22.072 million from $44.130 million reported in the first quarter of fiscal 1996. Pretax earnings as a percentage of revenues was 11.7% for the second quarter, compared to 23.7% for the first quarter of the fiscal year. The decrease in pretax earnings and the pretax margin

was caused entirely by the reduction in pricing for online services in September.

TAX SERVICES

Revenues increased to $27.602 million from $9.956 million in the first quarter of fiscal 1996. The increase partially resulted from the onset of the tax season in Australia, which contributed revenues of approximately $9.6 million. U.S. revenues increased approximately $7.9 million due to tuition tax school fees earned in the second quarter and increased sales of supplies to franchisees, both of which are seasonal.

The pretax loss decreased 16.7% to $34.351 million from $41.219 million reported for the three months ended July 31, 1995. The decrease is due to earnings reported by Australian tax operations from its fiscal 1996 tax season.

FINANCIAL SERVICES

Revenues decreased 63.6% to $6.815 million from $18.737 million for the three months ended July 31, 1995. The decrease resulted entirely from the gain on the sale of MECA Software, Inc. of $12.445 million in the first quarter of this year.

The pretax loss was $1.504 million, compared to pretax earnings of $3.484 million for the first quarter of fiscal 1996, due to the net effect of the gain on the sale of MECA and the impairment loss recognized on the assets of the tax preparation software business of $4.056 million.

INVESTMENT INCOME

Investment income decreased 33.4% to $2.867 million from $4.307 million earned for the three months ended July 31, 1995, due to the resources required to fund operations during the Tax Services segment's off-season, the significant marketing and capital investments made in the Computer Services segment and share repurchases during the second quarter totalling $59.453 million.

CORPORATE AND ADMINISTRATIVE EXPENSES

The corporate and administrative pretax loss increased 15.1% to $2.554 million from $2.219 million in the first quarter of fiscal 1996, resulting from increased employee costs and consultant fees.

SIX MONTHS ENDED OCTOBER 31, 1995 (FYTD) COMPARED TO
SIX MONTHS ENDED OCTOBER 31, 1994 (FYTD)

(AMOUNTS IN THOUSANDS)

	Revenues		Earnings (loss)	
	1995	1994	1995	1994
Computer services	$ 374,923	$ 264,527	$ 66,202	$ 68,248
Tax services	37,558	37,296	(75,570)	(75,112)
Financial services	25,552	9,741	1,980	(5,110)
Intersegment sales	(4,010)	(5,550)	-	-
	434,023	306,014	(7,388)	(11,974)
Investment income	7,174	9,705	7,174	9,705
Unallocated corporate	830	2,538	(4,773)	(4,557)
	$ 442,027	$ 318,257	(4,987)	(6,826)
			(1,915)	(2,614)
Income tax benefit				
Net loss			$ (3,072)	$ (4,212)

Consolidated revenues for the six months ended October 31, 1995 increased 38.9% to $442.027 million from $318.257 million reported last year. The increase is principally due to greater revenues reported by the Computer Services and Financial Services segments, including the gain on the sale of MECA Software, Inc. of $12.445 million.

The consolidated pretax loss improved 26.9% to $4.987 million from $6.826 million in the comparable period last year. The improvement is due to the Financial Services segment, partially offset by a decline reported by the Computer Services segment and lower investment income. In fiscal 1996, Financial Services results include a gain on the sale of MECA Software, Inc. of $12.445 million and an impairment loss of $8.389 million recognized on the assets of the tax preparation software business.

The net loss was $3.072 million, or $.03 per share, compared to $4.212 million, or $.04 per share, for the comparable period last year.

An analysis of operations by segment follows.

COMPUTER SERVICES

Revenues increased 41.7% to $374.923 million from $264.527 million last year due to increases in both Consumer Services and Network Services revenues, and the addition of revenues from Internet software sales this year totaling $20.836 million. Consumer Services revenues were 41.7% better than last year. The growth is due to the increase in customers and usage, offset by price reductions introduced in February and September 1995. The new pricing policy introduced in September is the largest reduction in the history of the company. The number of worldwide users of CompuServe and its licensees and distributors has increased 1.5 million as compared to last year. Network Services revenues were 33.7% better than last year, due to increasing usage and new customers.

Pretax earnings decreased 3.0% to $66.202 million from $68.248 million last year. Pretax earnings as a percentage of revenues was 17.7% for the six months ended October 31, 1995, compared to 25.8% for the same period last year. The decrease in pretax earnings and the pretax margin resulted primarily from the two price reductions which have been implemented since October 1994.

TAX SERVICES

Revenues increased 0.7% to $37.558 million from $37.296 million last year, due to higher revenues generated by Australian tax operations, substantially offset by lower tuition tax school fees in the United States by 13.8%.

The pretax loss slightly increased 0.6% to $75.570 million from $75.112 million last year. Management is closely monitoring expenses in an effort to keep expenses in line with last year. Additionally, Tax Services incurred less employer taxes than in the prior year due to the significant decrease in the number of seasonal options exercised in fiscal 1996.

FINANCIAL SERVICES

Revenues increased to $25.552 million from $9.741 million last year, largely due to the gain on the sale of MECA Software, Inc. in fiscal 1996 of $12.445 million, offset by a reduction in revenues resulting from operations sold and transferred in fiscal 1996. Increased revenues are also being generated by the credit card business.

Pretax earnings for the first six months was $1.980 million, compared to a pretax loss of $5.110 million last year, mostly due to the net effect of the gain on the sale of MECA and the impairment loss of $8.389 million realized on the assets of the tax preparation software business, and the absence of losses in fiscal 1996 of operations which were sold or transferred at the beginning of the year.

INVESTMENT INCOME

Investment income decreased 26.1% to $7.174 million from $9.705 million last year. The decrease resulted primarily from less funds available for investment, due to the marketing and capital investments being made in CompuServe and a decrease in proceeds from seasonal stock option exercises.

CORPORATE AND ADMINISTRATIVE EXPENSES

The corporate and administrative pretax loss increased 4.7% to $4.773 million from $4.557 million last year, due to increased employee expenses and consultant fees.

PART II - OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The annual meeting of shareholders of the registrant was held on September 12, 1995. At such meeting, four Class III directors were elected to serve three-year terms. In addition, the resolutions set forth below were submitted to a vote of shareholders. With respect to the election of directors and the adoption of each resolution, the number of votes cast for, against or withheld, and the number of abstentions or nonvotes were as follows:

ELECTION OF CLASS III DIRECTORS

Nominee	Votes FOR	Votes WITHHELD
Richard H. Brown	91,838,023	454,421
Donna R. Ecton	91,608,356	684,088
Marvin L. Rich	91,618,811	673,634
Morton I. Sosland	91,556,488	735,956

APPROVAL OF AMENDMENT TO THIRD STOCK OPTION PLAN FOR SEASONAL EMPLOYEES

The following resolution was adopted by a vote of 68,658,913 shares in favor of such resolution, 14,929,706 shares against such resolution and 401,327 shares abstaining. In addition, there were 8,302,498 shares for which proxies were submitted for the meeting, but for which no vote was cast on the resolution. The resolution states:

"RESOLVED, That this corporation's Third Stock Option Plan for Seasonal Employees, as amended, be further amended to extend it for three years, to terminate (unless further extended) on December 31, 1998."

APPOINTMENT OF AUDITORS

The following resolution was adopted by a vote of 91,928,653 shares in favor of such resolution, 162,689 shares against such resolution and 201,102 shares abstaining:

"RESOLVED, That the appointment of Deloitte & Touche LLP as the independent auditors for H&R Block, Inc., and its subsidiaries for the year ending April 30, 1996, is hereby ratified, approved and confirmed."

At the close of business on July 14, 1995, the record date for the annual meeting of shareholders, there were 104,896,019 shares of Common Stock of the registrant outstanding and entitled to vote at the meeting. There were 92,292,445 shares represented at the annual meeting of shareholders held on September 12, 1995.

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

(a) Exhibits

(10) Restricted Shares Agreement dated August 5, 1995, between the registrant and Richard H. Brown.

(27) Financial Data Schedule.

(b) Reports on Form 8-K

The registrant did not file any reports on Form 8-K during the second quarter of fiscal year 1996.

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 12/12/95

BY /s/Richard H. Brown
Richard H. Brown

President and
Chief Executive Officer

DATE 12/12/95 BY /s/Ozzie Wenich

Ozzie Wenich
Vice President, Finance
and Treasurer

EXHIBIT 10

RESTRICTED SHARES AGREEMENT

THIS RESTRICTED SHARES AGREEMENT is made and entered into as of August 5, 1995, by and between H&R BLOCK, INC., a Missouri corporation ("Block") and RICHARD H. BROWN ("Brown").

WHEREAS, the parties hereto are parties to an Executive Employment Agreement dated July 29, 1995 (the "Executive Employment Agreement"), pursuant to which Brown is employed by Block (or a subsidiary of Block) to serve as President and Chief Executive Officer of Block effective on August 5, 1995 (the "Employment Date"); and

WHEREAS, pursuant to Section 1.03(c)(i) of the Executive Employment Agreement, Brown is to receive from Block an award of 46,370 "Restricted Shares" (as such term is defined in such Plan) under Block's 1993 Long-Term Executive Compensation Plan, such award having been first approved by the Compensation Committee of the Board of Directors, the administrator under such Plan; and

WHEREAS, the parties desire to define the terms and conditions of the Restricted Shares award in this Agreement;

NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement and the Executive Employment Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by Block and Brown, the parties agree as follows:

1. Issuance of Shares; Forfeiture or Redelivery of Shares.

(a) As of August 5, 1995, Block shall issue 46,370 Restricted Shares (the "Shares") to Brown and Brown shall redeliver the certificate or certificates representing the Shares to Block, duly endorsed in blank for transfer. The Shares shall be held by Block and shall be subject to forfeiture by or redelivery to Brown in the manner provided below.

(b) Except as provided in Section 1(g) below, on the date Brown ceases for whatever reason to be a full-time and active employee of Block or any subsidiary of Block (a "Block Employee"), all Shares held on such date by Block shall be forfeited by Brown and Brown hereby authorizes Block and its stock transfer agent to cause the delivery, transfer and conveyance of such Shares to Block. Thereafter, this Agreement shall terminate and Block and Brown shall, except as provided in Section 3(b) below, have no further rights or obligations hereunder.

(c) If Brown continuously remains a Block Employee between the Employment Date and January 1, 1996, inclusive, Block shall promptly thereafter redeliver to Brown 18,153 of the Shares then held by Block and, for purposes of Section 1(b) above, as of said

January 1, 1996, such Shares shall no longer be considered to be held by Block.

(d) If Brown continuously remains a Block Employee between the Employment Date and August 5, 1996, inclusive, Block shall promptly thereafter redeliver to Brown 9,405 of the Shares then held by Block and, for purposes of Section 1(b) above, as of said August 5, 1996, such Shares shall no longer be considered to be held by Block.

(e) If Brown continuously remains a Block Employee between the Employment Date and August 5, 1997, inclusive, Block shall promptly thereafter redeliver to Brown 9,406 of the Shares then held by Block and, for purposes of Section 1(b) above, as of said August 5, 1997, such Shares shall no longer be considered to be held by Block.

(f) If Brown continuously remains a Block Employee between the Employment Date and August 5, 1998, inclusive, Block shall promptly thereafter redeliver to Brown 9,406 of the Shares then held by Block and, for purposes of Section 1(b) above, as of said August 5, 1998, such Shares shall no longer be considered to be held by Block. Upon completion of any such redelivery, this Agreement shall terminate and Block and Brown shall, except as provided in Section 3(b) below, have no further rights or obligations hereunder.

(g) If Brown ceases to be a Block Employee and Section 1.06(c) of the Executive Employment Agreement applies, all restrictions (except those that may apply pursuant to Section 3(b) below) on any of the Shares then held by Block shall terminate and Block shall promptly thereafter redeliver to Brown all of the Shares then held by Block. Upon completion of any such redelivery, this Agreement shall terminate and Block and Brown shall, except as provided in Section 3(b) below, have no further rights or obligations hereunder.

2. Dividends and Voting Rights. During the time that Block continues to hold any Shares subject hereunder to forfeiture by (and redelivery to) Brown, Brown shall be entitled to receive any dividends paid with respect to such Shares and Brown shall be entitled to vote such Shares on any matters submitted by Block to its shareholders.

3. Transfer Restrictions.

(a) During the period that Shares are held by Block hereunder for redelivery to Brown, such Shares and the rights and privileges conferred hereby shall not be transferred, assigned, pledged, hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment or similar process. Upon any attempt, contrary to the terms hereof,

to transfer, assign, pledge, hypothecate, or otherwise so dispose of such Shares or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment, or similar process upon such Shares or the rights and privileges hereby granted, then and in any such event this Agreement and the rights and privileges hereby granted shall, except as provided in Section 3(b) below, immediately terminate. Immediately after such termination, such Shares shall be forfeited by Brown and Brown hereby authorizes Block and its stock transfer agent to cause the delivery, transfer and conveyance of such Shares to Block.

(b) If at any time counsel for Block determines that qualification of the Shares under any state or federal securities law, or the consent or approval of any governmental regulatory authority, is necessary or desirable as a condition of the transfer of such Shares (including a sale, assignment, pledge, grant of a security interest in respect of, attachment, or disposal of the Shares in any manner, by operation of law or otherwise) or offer to transfer such Shares, Brown shall not transfer or offer to transfer such Shares, in whole or in part, and any such attempted transfer or offer to transfer will be void and of no effect, unless and until such qualification, consent, or approval shall have been effected or obtained free of any conditions such counsel deems unacceptable.

(c) This Section 3 shall survive any termination of this Agreement and shall be applicable to any Shares redelivered to Brown under Subsections 1(c), 1(d), 1(e), 1(f) and 1(g) above.

4. Legend. The certificate or certificates representing the Shares shall contain the following restrictive transfer legend:

> "THE TRANSFERABILITY OF THIS CERTIFICATE AND THE SHARES OF STOCK REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS (INCLUDING FORFEITURE) OF THE 1993 LONG-TERM EXECUTIVE COMPENSATION PLAN OF H&R BLOCK, INC. AND AN AGREEMENT ENTERED INTO BETWEEN THE REGISTERED OWNER AND H&R BLOCK, INC. COPIES OF SUCH PLAN AND AGREEMENT ARE ON FILE WITH THE SECRETARY OF H&R BLOCK, INC."

5. Brown's Acknowledgement and Acceptance. Brown acknowledges receipt of a copy of the 1993 Long-Term Executive Compensation Plan, a copy of

which is attached hereto as Exhibit A and incorporated herein, and represents that he is familiar with the terms thereof. Brown hereby accepts the Shares subject to all of the terms and provisions of this Agreement and in such Plan.

6. Miscellaneous. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors, and permitted assigns. This Agreement shall be governed by and construed in accordance with the laws of the State of Missouri. The section headings here-

in are for convenience only and shall not be considered in construing this Agreement. No amendment, supplement, or waiver to this Agreement is valid or binding unless in writing and signed by both parties. Failure of Block or Brown to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such terms, covenants, or conditions.

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates indicated below, but effective as of the date first above written.

H&R BLOCK, INC.

By /s/Henry W. Bloch Date 9-26-95
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Henry W. Bloch
Chairman of the Board

/s/Richard H. Brown Date 9-27-95
- ------------------------ -----------------------
Richard H. Brown

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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.
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