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 JANUARY 31, 1998

[ ] 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 of the registrant's Common Stock, without par value, outstanding at March 2, 1998 was 104,809,372 shares.

TABLE OF CONTENTS

H&R BLOCK, INC.
CONSOLIDATED BALANCE SHEETS
AMOUNTS IN THOUSANDS, EXCEPT SHARE AMOUNTS

	JANUARY 31, 1998	APRIL 30, 1997
ASSETS	(UNAUDITED)	(AUDITED)
CURRENT ASSETS		
Cash and cash equivalents	$ 107,557	$ 457,079
Marketable securities	1,031,699	61,755
Receivables, less allowance for doubtful accounts of $18,149 and $30,144	779,169	407,441
Prepaid expenses and other current assets	111,154	31,671
Net assets of discontinued operations	-	522,144
TOTAL CURRENT ASSETS	2,029,579	1,480,090
INVESTMENTS AND OTHER ASSETS		
Investments in marketable securities	13,566	20,273
Excess of cost over fair value of net tangible assets acquired, net of amortization	266,161	74,794
Other	80,804	66,836
	360,531	161,903
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation and amortization	76,409	65,065
	$2,466,519	$1,707,058
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable	$ 631,840	$ 269,619
Accounts payable, accrued expenses and deposits	132,959	164,872
Accrued salaries, wages and payroll taxes	41,337	105,326
Accrued taxes on earnings	272,200	129,192
TOTAL CURRENT LIABILITIES	1,078,336	669,009
LONG-TERM DEBT	249,663	-
OTHER NONCURRENT LIABILITIES	41,432	38,952
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	495,350	502,308
Retained earnings	749,646	684,071
	1,246,089	1,187,472
Less cost of 3,880,095 and 4,905,421 shares of common stock in treasury	149,001	188,375
	1,097,088	999,097
	$2,466,519	$1,707,058

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 JANUARY 31, 1998	THREE MONTHS ENDED JANUARY 31, 1997
REVENUES		
Service revenues	$ 161,981	$ 127,524
Product sales	35,625	14,841
Royalties	10,562	11,931
Other income	515	841
	208,683	155,137
OPERATING EXPENSES		
Employee compensation and benefits	94,184	74,693
Occupancy and equipment	49,024	41,286
Interest expense	15,681	3,618
Marketing and advertising	16,730	10,820
Supplies, freight and postage	16,081	15,738
Other	46,228	32,057
	237,928	178,212
Operating loss	(29,245)	(23,075)
OTHER INCOME		
Investment income, net	1,107	657
Other, net	(17)	-
	1,090	657
Loss from continuing operations before income tax benefit	(28,155)	(22,418)
Income tax benefit	(10,699)	(8,496)
Net loss from continuing operations	(17,456)	(13,922)
Net earnings (loss) from discontinued operations (less applicable income taxes (benefit) of $941 and ($5,957))	167	(11,404)
Net gain on sale of discontinued operations (less applicable income taxes of $251,701)	231,867	-
Net earnings (loss)	$ 214,578	$ (25,326)
Weighted average number of common shares outstanding	105,050	104,041
Basic and diluted net loss per share from continuing operations	$ (.17)	$ (.13)
Basic and diluted net earnings (loss) per share	$ 2.04	$ (.24)
Dividends per share	$ .20	$ .20

See Notes to Consolidated Financial Statements

H&R BLOCK, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED, AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

	NINE MONTHS ENDED JANUARY 31, 1998	NINE MONTHS ENDED JANUARY 31, 1997
REVENUES		
Service revenues	$ 250,243	$ 182,479
Product sales	62,417	16,253
Royalties	14,980	16,486
Other income	3,245	1,641
	330,885	216,859
OPERATING EXPENSES		
Employee compensation and benefits	166,226	122,496
Occupancy and equipment	122,735	102,768
Interest expense	37,223	6,948
Marketing and advertising	28,459	19,802
Supplies, freight and postage	23,815	22,048
Other	95,405	62,449
	473,863	336,511
Operating loss	(142,978)	(119,652)
OTHER INCOME		
Investment income, net	9,490	6,863
Other, net	(5)	-
	9,485	6,863
Loss from continuing operations before income tax benefit	(133,493)	(112,789)
Income tax benefit	(50,727)	(42,747)
Net loss from continuing operations	(82,766)	(70,042)
Net loss from discontinued operations (less applicable tax benefit of ($7,277) and ($48,053))	(13,889)	(81,638)
Net gain on sale of discontinued operations (less applicable income taxes of $251,701)	231,867	-
Net earnings (loss)	$ 135,212	$ (151,680)
Weighted average number of common shares outstanding	104,568	103,960
Basic and diluted net loss per share from continuing operations	$ (.79)	$ (.67)
Basic and diluted net earnings (loss) per share	$ 1.29	$ (1.46)
Dividends per share	$ .60	$ .84

See Notes to Consolidated Financial Statements

H&R BLOCK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED, AMOUNTS IN THOUSANDS

	NINE MONTHS ENDED JANUARY 31, 1998	NINE MONTHS ENDED JANUARY 31, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings (loss)	$ 135,212	$ (151,680)
Adjustments to reconcile net earnings (loss) to net cash used in operating activities:		
Depreciation and amortization	34,637	22,085
Net gain on sale of discontinued operations	(231,867)	-
Other noncurrent liabilities	2,480	4,080
Changes in:		
Receivables	82,717	(363,411)
Prepaid expenses and other current assets	(44,304)	(52,441)
Net assets of discontinued operations	13,665	80,867
Accounts payable, accrued expenses and deposits	(64,385)	40,829
Accrued salaries, wages and payroll taxes	(65,796)	(55,633)
Accrued taxes on earnings	(123,339)	(77,603)
NET CASH USED IN OPERATING ACTIVITIES	(260,980)	(552,907)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(133,774)	(28,089)
Maturities of marketable securities	202,473	17,488
Purchases of property and equipment	(30,633)	(33,231)
Excess of cost over fair value of net tangible assets acquired, net of cash acquired	(237,786)	(19,294)
Other, net	(14,283)	(9,163)
NET CASH USED IN INVESTING ACTIVITIES	(214,003)	(72,289)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of notes payable	(8,499,105)	(3,147,413)
Proceeds from issuance of notes payable	8,405,163	3,535,782
Proceeds from issuance of long-term debt	249,663	-
Dividends paid	(62,676)	(87,180)
Proceeds from stock options exercised	32,416	2,821
NET CASH PROVIDED BY FINANCING ACTIVITIES	125,461	304,010
NET DECREASE IN CASH AND CASH EQUIVALENTS	(349,522)	(321,186)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	457,079	405,019
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	$ 107,557	$ 83,833
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Income taxes paid	$ 58,746	$ 18,695
Interest paid	35,492	6,989

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 January 31, 1998, the Consolidated Statements of Operations for the three and nine months ended January 31, 1998 and 1997, and the Consolidated Statements of Cash Flows for the nine months ended January 31, 1998 and 1997 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 January 31, 1998 and for all periods presented have been made.

Reclassifications have been made to prior period amounts to conform with current period presentation.

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 Annual Report on Form 10-K/A, Amendment Number 2, for the fiscal year ended April 30, 1997.

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

2. On January 31, 1998, the Company completed the sale of its 80.1% interest in CompuServe Corporation (CompuServe) to a subsidiary of WorldCom, Inc. (WorldCom). The Company recorded a $231.9 million gain, net of taxes, on the transaction. The sale was structured as a stock-for-stock transaction in which the Company received 30.1 million shares of WorldCom stock in exchange for its 80.1% ownership interest (74.2 million shares) in CompuServe stock. The Company completed the transaction through its receipt of $1.03 billion in net proceeds from the monetization of 100% of its WorldCom stock in a block trade on February 2, 1998. As a part of the CompuServe transaction, the Company has agreed to indemnify WorldCom and CompuServe against 80.1% of any losses and expenses incurred by them with respect to litigation and claims brought against CompuServe, any of its current or former officers, directors, employees, agents or underwriters relating to CompuServe's initial public offering in April 1996, as discussed below. The 30.1 million shares of WorldCom stock valued at $1.03 billion that the Company received in the stock-for-stock transaction was treated as a noncash investing activity in the Consolidated Statement of Cash Flows for the nine months ended January 31, 1998.

The consolidated financial statements have been reclassified to reflect the Company's Computer Services segment as discontinued operations. Revenues from Computer Services for the nine months ended January 31, 1998 and 1997 were $628.2 million and $634.0 million, respectively, and were $217.1 million and $211.0 million, respectively, for the three months ended January 31, 1998 and 1997.

3. On June 17, 1997, the Company completed the purchase of Option One Mortgage Corporation (Option One). The cash purchase price was $218.1 million, consisting of $28.1 million in adjusted stockholder's equity and a premium of $190 million. In addition, the Company made cash payments of $456 million to Option One's former parent to eliminate intercompany loans made to Option One to finance its mortgage loan operations. The $456 million payment was recorded as an intercompany loan and was repaid to the Company by the end of June 1997 after Option One sold the loans to a third party in the ordinary course of business. The acquisition was accounted for as a purchase and, accordingly, Option One's results are included since the date of acquisition. The fair value of tangible assets acquired, including cash, and liabilities assumed was $683.8 million and $463.9 million, respectively. Liabilities assumed were treated as a noncash investing activity in the Consolidated Statement of Cash Flows for the nine months ended January 31, 1998. The excess of cost over fair value of net tangible assets acquired was $183.1 million and is being amortized on a straight-line basis over 15 years. The acquisition was financed with the issuance of $250 million in Senior Notes during the second quarter of fiscal 1998, discussed below.

The following unaudited pro forma summary combines the consolidated results of operations of the Company and Option One as if the acquisition had occurred on May 1, 1997 and 1996, after giving effect to certain adjustments, including amortization of intangible assets, increased interest expense on the acquisition debt and the related income tax effects. The pro forma information is presented for information purposes only and is not necessarily indicative of what would have occurred if the acquisition had been made as of those dates. In addition, the pro forma information is not intended to be a projection of future results.

	Nine months ended January 31, 1998	Nine months ended January 31, 1997
Revenues	$ 338,171	$ 282,879
Net earnings (loss)	131,195	(152,822)
Basic and diluted net earnings (loss) per share	1.25	(1.47)

4. Receivables consist of the following:

	January 31, 1998	April 30, 1997 (Audited)
Credit card loans	$ 217,858	$ 247,889
Mortgage loans held for sale	324,664	107,115
Participations in refund anticipation loans	116,860	26,308
Other	137,936	56,273
	797,318	437,585
Allowance for doubtful accounts	18,149	30,144
	$ 779,169	$ 407,441

5. During the nine months ended January 31, 1998, the net unrealized holding gain on available-for-sale securities increased $121 to $1,447.

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. During the nine months ended January 31, 1998 and 1997, the Company issued 1,025,326 and 69,511 shares, respectively, pursuant to provisions for exercise of stock options under its stock option plans.

8. Product sales consist primarily of gains on sales of mortgage loans and software sales. Gains on loan sales are recognized utilizing the specific identification method at the time of sale. Software sales are recorded at the time of shipment.

9. CompuServe, certain current and former officers and directors of CompuServe and the registrant have been named as defendants in six lawsuits pending before the state and Federal courts in Columbus, Ohio. All suits allege 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 in April 1996. One

state lawsuit also alleges certain oral omissions and misstatements in connection with such offering. Relief sought in the lawsuits is unspecified, but includes pleas for rescission and damages. One Federal lawsuit names the lead underwriters of CompuServe's initial public offering as additional defendants and as representatives of a defendant class consisting of all underwriters who participated in such offering. The Federal suits are both subject to pending motions to dismiss filed on behalf of the defendants, and they have been consolidated. The four state court lawsuits also allege violations of various state statutes and common law of negligent misrepresentation in addition to the 1933 Act claims. The state lawsuits have been consolidated for discovery. As a part of the sale of its interest in CompuServe, the Company has agreed to indemnify WorldCom and CompuServe against 80.1% of any losses and expenses incurred by them with respect to these lawsuits. The defendants are vigorously defending these lawsuits.

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

	January 31, 1998	April 30, 1997
Condensed balance sheets:		(Audited)
Cash and cash equivalents	$ 25,741	$ 3,425
Finance receivables, net	700,735	380,206
Other assets	317,316	34,657
Total assets	$ 1,043,792	$ 418,288
Commercial paper	$ 627,729	$ 269,619
Other liabilities	44,904	26,867
Long-term debt	249,663	-
Stockholder's equity	121,496	121,802
Total liabilities and stockholder's equity	$ 1,043,792	$ 418,288

	Three months ended January 31, 1998	1997	Nine months ended January 31, 1998	1997
Condensed statements of operations:				
Revenues	$ 69,700	$ 32,732	$ 144,060	$ 50,940
Earnings (loss) from operations	3,737	7,795	(467)	4,683
Net earnings (loss)	2,291	4,711	(297)	2,826

11. On October 21, 1997, the Company, through a subsidiary, issued $250,000 of 6 3/4% Senior Notes due 2004. The Senior Notes are not redeemable prior to maturity. The net proceeds of this transaction were used to repay short-term borrowings which initially funded the acquisition of Option One, as discussed above.

12. As a part of its interest rate risk management strategy, the Company hedged its interest rate risk related to its fixed rate mortgage portfolio during the nine months ended January 31, 1998 by selling short treasury securities and utilizing forward commitments. With its agreement, the Company sells short treasury securities under an open repurchase agreement that can be adjusted at any time by either party. The position on certain or all of the fixed rate mortgages is closed when the Company enters into a forward commitment to sell those mortgages. Deferred losses on the treasury

securities hedging instrument amounted to $73 at January 31, 1998. The contract value and the market value of this hedging instrument at January 31, 1998 was $20,865 and $20,897, respectively. The contract value and market value of the forward commitment at January 31, 1998 was $95,000 and $94,145, respectively.

13. The Company has adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS 128) issued by the Financial Accounting Standards Board in February 1997, which is effective for periods ending after December 15, 1997. SFAS 128, which simplifies the standards for computing and presenting earnings per share, replaces the previously reported primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants, and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. Accordingly, earnings per share as previously reported have been restated, as necessary, to conform to the new standard. As presented herein, both basic earnings per share and diluted earnings per share are computed using the weighted average number of shares outstanding. Diluted earnings per share excludes the impact of common stock options and convertible preferred stock options outstanding of 6,052,434 shares, and the conversion of all shares of preferred stock to common stock of 1,657,332 shares, as they are antidilutive. The weighted average shares outstanding for the nine months ended January 31, 1998 increased to 104,568,000 from 103,960,000 last year, mainly due to stock option exercises.

14. In the third quarter of fiscal 1998, the Company elected the early adoption of Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). SFAS 131 requires that a company report financial and descriptive information about its reportable operating segments, defined as those components of an enterprise about which separate financial information is available and is evaluated regularly by management in deciding how to allocate resources and in assessing performance. Management analyzes its business according to differences in types of services and geographic locations and the reportable operating segments have been determined accordingly. The reportable operating segments are discussed below.

15. The principal business activity of the Company is providing financial services to the general public and business community. Management has determined the reportable segments identified below according to differences in types of services, geographic locations and how operational decisions are made. Geographical information is presented within the segment data below. All foreign countries in which the Company operates, which are individually immaterial, are included in International Tax Services. Included below are the revenues, operating earnings (loss) and identifiable assets of each segment that are used by management to evaluate the segment's results. The Company operates in the following reportable segments:

    Tax Services: This segment is primarily engaged in providing tax return preparation, filing, and related services to the general public in the United States. Tax-related service revenue includes fees from company-owned tax offices and royalties from franchised offices. This segment also purchases participation interests in refund anticipation loans made by a third party lending institution which are offered to tax clients, and provides tax preparation software to the general public. Revenues of this segment are seasonal in nature.

    International Tax Services: This segment is primarily engaged in providing tax return preparation, filing, and related services to the general public in Canada, Australia and the United Kingdom. In addition, International Tax Services has franchise offices in eight countries. Tax-related service revenue includes fees from company-owned tax offices and royalties from franchised offices. Revenues of this segment are seasonal in nature.

Mortgage Operations: This segment is engaged in the origination, purchase, servicing, securitization and sale of nonconforming mortgage loans in the United States. Mortgage origination services are offered through a network of mortgage brokers in 46 states and through H&R Block tax offices in 19 states.

Credit Card Operations: This segment operates in the United States and sponsors credit card loans under a co-branded agreement and, through an Internet site and an online service provider, allows cardholders access to account transactions and payment detail through an online lookup feature.

Identifiable Assets: Identifiable assets are those assets, including the excess of cost over fair value of net tangible assets acquired, associated with each reportable segment. 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 reportable operating segments for the nine months ended January 31, 1998 and 1997, and the three months ended January 31, 1998 and 1997 is as follows:

	Nine Months Ended January 31,		Three Months Ended January 31,	
	1998	1997	1998	1997
REVENUES:				
U.S. tax services	$ 184,894	$ 163,461	$ 154,637	$ 135,135
International tax services	24,221	24,891	7,371	8,359
Mortgage operations	93,039	6,746	37,522	4,845
Credit card operations	28,956	22,929	10,053	8,200
Unallocated corporate	944	331	251	97
Inter-segment sales	(1,169)	(1,499)	(1,151)	(1,499)
	$ 330,885	$ 216,859	$ 208,683	$ 155,137
OPERATING EARNINGS:				
U.S. tax services	$ (122,291)	$ (101,645)	$ (18,703)	$ (16,071)
International tax services	(13,174)	(10,237)	(6,925)	(5,767)
Mortgage operations	19,756	2,737	7,681	2,480
Credit card operations	(11,964)	(3,650)	(4,223)	(1,295)
Unallocated corporate	(15,310)	(6,857)	(7,092)	(2,422)
Investment income, net	9,490	6,863	1,107	657
Earnings from continuing operations before income taxes	$ (133,493)	$ (112,789)	$ (28,155)	$ (22,418)

	January 31, 1998	April 30, 1997
IDENTIFIABLE ASSETS:		
U.S. tax services	$ 401,172	$ 209,047
International tax services	43,825	39,145
Mortgage operations	642,311	125,734
Credit card operations	220,150	253,052
Total assets from reportable segments	1,307,458	626,978
Unallocated corporate	1,159,061	557,936
Net assets of discontinued operations	-	522,144

$ 2,466,519	$ 1,707,058
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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 increased to $951.2 million at January 31, 1998 from $811.1 million at April 30, 1997. The working capital ratio at January 31, 1998 is 1.9 to 1, compared to 2.2 to 1 at April 30, 1997. The increase in working capital and the decrease in the working capital ratio is primarily due to the following: (1) working capital was increased by approximately $231.9 million due to the sale of CompuServe Corporation (CompuServe); and (2) the seasonal nature of the Company's U.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 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 from Revenue Canada.

The Company, through a subsidiary, incurs short-term borrowings throughout the year to fund receivables associated with its credit card, nonconforming mortgage loan and other financial service programs. During January through April, short-term borrowings will be used to purchase a 40 percent participating interest in certain Refund Anticipation Loans through a ten-year agreement with Beneficial National Bank. There is a $1.8 billion back-up credit facility to support various financial activities through November 1998, subject to renewal.

On October 21, 1997, the Company, through a subsidiary, issued $250 million of 6 3/4% Senior Notes due 2004. The Senior Notes are not redeemable prior to maturity. The net proceeds of this transaction were used to repay short-term borrowings which initially funded the acquisition of Option One Mortgage Corporation (Option One), described below.

The Company's capital expenditures, excluding the acquisition of Option One, and dividend payments during the first nine months were funded primarily through internally-generated funds and, to a lesser extent, short-term borrowings.

Using internally-generated funds, the Company paid CompuServe $67.1 million in September for the tax benefits derived by the Company from CompuServe's operating losses in the 1996 calendar year. Such payment was made in accordance with the Tax Sharing Agreement between the Company and CompuServe.

At January 31, 1998, short-term borrowings used to fund credit cards, mortgage loans, other programs and operations increased to $631.8 million compared to $269.6 million at April 30, 1997, due mainly to the funding of mortgage operations. For the nine months ended January 31, 1998 and 1997, interest expense was $37.3 million and $6.9 million, respectively. The increase in interest expense is primarily attributable to the funding of mortgage operations with short-term borrowings and the long-term debt used to acquire Option One.

On January 31, 1998, the Company finalized the sale of CompuServe and received 30.1 million shares of WorldCom, Inc. (WorldCom) stock. The transaction was completed with the receipt of $1.03 billion in net proceeds from the monetization of the WorldCom stock in a block trade on February 2, 1998. The proceeds will be used to assist the Company in growing its core tax and financial services businesses and to fund the Company's stock repurchase plan discussed below.

The Company announced in December 1993 its intention to repurchase from time to time up to 10 million of its shares on the open market. In July 1996, the Company announced its intention to repurchase up to 10 million additional shares in the open market over a two-year period following the separation of CompuServe. Such authorization is in addition to the 1993 authorization. At January 31, 1998, 4.8 million shares had been repurchased. No shares have been purchased pursuant to these authorizations since December 1995. With the completion of the CompuServe transaction in January 1998, the Company will begin to purchase its shares in accordance with these authorizations, subject to various factors including the price of the stock, availability of excess cash, the ability to maintain financial flexibility, and other investment opportunities available.

RESULTS OF OPERATIONS

SIGNIFICANT EVENTS

On June 17, 1997, the Company completed the purchase of Option One. Option One engages in the origination, purchase, servicing, securitization and sale of nonconforming mortgage loans. Based in Santa Ana, California, Option One has a network of more than 5,000 mortgage brokers in 46 states. The cash purchase price was $218.1 million. In addition, the Company made a cash payment of $456 million to Option One's former parent to eliminate intercompany loans made to Option One to finance its mortgage loan operations. The $456 million payment was recorded as an intercompany loan and was repaid to the Company by the end of June 1997 after Option One sold the mortgage loans to a third party in the ordinary course of business. The acquisition was accounted for as a purchase and, accordingly, Option One's results are included since the date of acquisition.

On January 31, 1998, the Company completed the sale of CompuServe to a subsidiary of WorldCom. The Company recorded a $231.9 million gain, net of taxes, on the transaction. The sale was structured as a stock-for-stock transaction in which the Company received 30.1 million shares of WorldCom stock in exchange for their 80.1% ownership (74.2 million shares) of CompuServe stock. The Company received $1.03 billion in net proceeds from the monetization of WorldCom stock in a block trade on February 2, 1998. The financial summary below has been reclassified to reflect CompuServe as discontinued operations through the date of the sale. CompuServe was previously reported in the Computer Services segment.

FISCAL 1998 COMPARED TO FISCAL 1997

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.

THREE MONTHS ENDED JANUARY 31, 1998 COMPARED TO
THREE MONTHS ENDED JANUARY 31, 1997
(AMOUNTS IN THOUSANDS)

	Revenues		Earnings (loss)	
	1998	1997	1998	1997
U.S. tax services	$ 154,637	$ 135,135	$ (18,703)	$ (16,071)
International tax services	7,371	8,359	(6,925)	(5,767)
Mortgage operations	37,522	4,845	7,681	2,480
Credit card operations	10,053	8,200	(4,223)	(1,295)
Unallocated corporate	251	97	(7,092)	(2,422)
Investment income, net	-	-	1,107	657
Inter-segment sales	(1,151)	(1,499)	-	-
	$ 208,683	$ 155,137	(28,155)	(22,418)
Income tax benefit			(10,699)	(8,496)
Net loss from continuing operations			(17,456)	(13,922)
Net earnings (loss) from discontinued operations			167	(11,404)
Net gain on sale of discontinued operations			231,867	-
Net earnings (loss)			$ 214,578	$ (25,326)

Consolidated revenues for the three months ended January 31, 1998 increased 34.5% to $208.7 million from $155.1 million reported last year. The increase is primarily due to the revenues from Option One, acquired on June 17, 1997, which are included in the Mortgage Operations segment, and increased revenues from the U.S. Tax Services segment.

The consolidated pretax loss from continuing operations for the third quarter of fiscal 1998 increased 25.6% to $28.2 million from $22.4 million in the third quarter of last year. The increase is primarily attributable to the Credit Card Operations segment, which reported a pretax loss of $4.2 million compared to $1.3 million in the third quarter of last year, and the U.S. Tax Services segment which increased its loss by 16.4%.

The net loss from continuing operations was $17.5 million, or $.17 per share, compared to $13.9 million, or $.13 per share, for the same period last year.

An analysis of operations by segment follows.

U.S. TAX SERVICES

Revenues increased 14.4% to $154.6 million from $135.1 million last year, resulting primarily from higher tax-related service fees that are attributable to an increase in the number of clients served and price increases. During the first month of the U.S. tax filing season, the total number of clients served increased 6.9%. Software sales also contributed $4.8 million to the increase due to an increase in the number of units shipped over the prior year.

The pretax loss increased 16.4% to $18.7 million from $16.1 million in the third quarter of last year. The increase is due to a decrease in the number of Refund Anticipation Loan (RAL) participations that is partially attributable to the delayed start of the electronic filing season. Additionally, inflationary increases and the number of new tax offices opened this year contributed to the increased loss. Due to the nature of this segment's business, the results for the first month of the tax filing season are not indicative of the expected results for the entire tax season.

INTERNATIONAL TAX SERVICES

Revenues decreased 11.8% to $7.4 million from $8.4 million in the prior year. The decrease is mainly due to lower levels of discounted tax returns in Canada, resulting from the provinces' continued elimination of tax credits, and a slower start of the tax season due to the later distribution of wage slips which enable tax payers to file their forms.

The pretax loss increased 20.1% to $6.9 million from $5.8 million in the same period last year. The increase is attributable to investments made to open 27 new offices in the United Kingdom and 33 new offices in Australia. Due to the nature of this segment's business, the results for the quarter are not indicative of the expected results for the entire fiscal year.

MORTGAGE OPERATIONS

Revenues increased 674.4% to $37.5 million from $4.8 million in the same period last year. Pretax earnings increased 209.7% to $7.7 million from $2.5 million in the prior year. The increase is primarily related to Option One which contributed revenues of $33.1 million, including gains totaling $19.0 million on whole-loan sales of $466.0 million during the quarter, and earnings of $8.7 million. These increases were partially off-set by the $3.0 million gain on the mortgage loan securitization that was recorded in January 1997.

CREDIT CARD OPERATIONS

Revenues increased 22.6% to $10.1 million from $8.2 million in the third quarter last year due to growth in average revolving credit card balances of 7.4% over the third quarter of fiscal 1997.

The pretax loss increased 226.1% to $4.2 million from $1.3 million last year. The increase is attributable to the write-off of $2.2 million in deferred subscriber acquisition costs and a $1.6 million increase in bad debt expense due to a deterioration in the quality of the credit card portfolio.

INVESTMENT INCOME, NET

Net investment income increased 68.5% to $1.1 million from $657 thousand last year. The increase resulted from more funds available for investment.

UNALLOCATED CORPORATE AND ADMINISTRATIVE

The unallocated corporate and administrative pretax loss for the third quarter increased 192.8% to $7.1 million from $2.4 million in the comparable period last year. The increase resulted mainly from interest expense of $4.4 million associated with the acquisition of Option One incurred during the quarter and higher consultant fees.

THREE MONTHS ENDED JANUARY 31, 1998 (THIRD QUARTER) COMPARED TO
THREE MONTHS ENDED OCTOBER 31, 1997 (SECOND QUARTER)
(AMOUNTS IN THOUSANDS)

	Revenues		Earnings (loss)	
	3rd Qtr	2nd Qtr	3rd Qtr	2nd Qtr
U.S. tax services	$ 154,637	$ 18,306	$ (18,703)	$ (54,075)
International tax services	7,371	13,470	(6,925)	(1,125)
Mortgage operations	37,522	41,309	7,681	10,984
Credit card operations	10,053	9,597	(4,223)	(4,684)
Unallocated corporate	251	310	(7,092)	(4,122)
Investment income, net	-	-	1,107	3,193
Inter-segment sales	(1,151)	-	-	-
	$ 208,683	$ 82,992	(28,155)	(49,829)
Income tax benefit			(10,699)	(19,380)
Net loss from continuing operations			(17,456)	(30,449)
Net earnings (loss) from discontinued operations			167	(10,782)
Net gain from sale of discontinued operations			231,867	-
Net earnings (loss)			$ 214,578	$ (41,231)

Consolidated revenues for the three months ended January 31, 1998 increased 151.4% to $208.7 million from $83.0 million in the second quarter of fiscal 1998. The increase is primarily due to revenues from the U.S. Tax Services segment related to the beginning of the U.S. tax filing season.

The consolidated pretax loss from continuing operations for the third quarter of fiscal 1998 decreased 43.5% to $28.2 million from $49.8 million in the second quarter of this year. The decrease is attributable to the U.S. Tax Services segment, which incurred a pretax loss of $18.7 million compared to a pretax loss of $54.1 million in the second quarter of fiscal 1998.

The net loss from continuing operations was $17.5 million, or $.17 per share, compared to $30.4 million, or $.29 per share, for the second quarter.

An analysis of operations by segment follows.

U.S. TAX SERVICES

Revenues increased 744.7% to $154.6 million from $18.3 million in the second quarter. The pretax loss decreased 65.4% to $18.7 million from $54.1 million in the three months ended October 31, 1997. The improved results are due to the onset of the tax filing season in the U.S.

INTERNATIONAL TAX SERVICES

Revenues decreased 45.3% to $7.4 million from $13.5 million in the second quarter. The pretax loss increased 515.6% to $6.9 million from $1.1 million in the second quarter. The decreased results are due to the timing of the tax filing seasons in Australia and Canada. The Australian tax season ends in October while the Canadian tax season begins in late January.

MORTGAGE OPERATIONS

Revenues decreased 9.2% to $37.5 million from $41.3 million in the second quarter. Pretax earnings decreased 30.1% to $7.7 million from $11.0 million in the second quarter. These decreases resulted from the timing of loan sales and prices received for loans sold during the third quarter as compared to the second quarter.

CREDIT CARD OPERATIONS

Revenues increased 4.8% to $10.1 million from $9.6 million due to larger revolving credit card balances.

The pretax loss decreased 9.8% to $4.2 million from $4.7 million in the three months ended October 31, 1997. The decrease is primarily attributable to reduced losses related to online services due to the downsizing of these operations and the write-off of capitalized software costs related to software which was being developed to provide a variety of online services to these and similar customers during the second quarter. These decreases were partially offset by the write-off of deferred subscriber acquisition costs related to the credit card portfolio in the third quarter.

INVESTMENT INCOME, NET

Net investment income decreased 65.3% to $1.1 million from $3.2 million in the three months ended October 31, 1997. The decrease resulted from less funds available for investment.

UNALLOCATED CORPORATE AND ADMINISTRATIVE

The unallocated corporate and administrative pretax loss for the third quarter increased 72.1% to $7.1 million from $4.1 million in the second quarter. The increase resulted mainly from increased interest expense from the acquisition of Option One and increased charitable contributions and consultant fees.

NINE MONTHS ENDED JANUARY 31, 1998 (FYTD) COMPARED TO
NINE MONTHS ENDED JANUARY 31, 1997 (FYTD)
(AMOUNTS IN THOUSANDS)

	Revenues		Earnings (loss)	
	1998	1997	1998	1997
U.S. tax services	$ 184,894	$ 163,461	$ (122,291)	$ (101,645)
International tax services	24,221	24,891	(13,174)	(10,237)
Mortgage operations	93,039	6,746	19,756	2,737
Credit card operations	28,956	22,929	(11,964)	(3,650)
Unallocated corporate	944	331	(15,310)	(6,857)
Investment income, net	-	-	9,490	6,863
Intersegment sales	(1,169)	(1,499)	-	-
	$ 330,885	$ 216,859	(133,493)	(112,789)
Income tax benefit			(50,727)	(42,747)
Net loss from continuing operations			(82,766)	(70,042)
Net loss from discontinued operations			(13,889)	(81,638)
Net gain on sale of discontinued operations			231,867	-
Net earnings (loss)			$ 135,212	$ (151,680)

Consolidated revenues for the nine months ended January 31, 1998 increased 52.6% to $330.9 million from $216.9 million reported last year. The increase is primarily due to the revenues of the Company's Mortgage Operations segment this year of $93.0 million, which include revenues of Option One, acquired on June 17, 1997, and increased revenues from the U.S. Tax Services segment.

The consolidated pretax loss from continuing operations increased 18.4% to $133.5 million from $112.8 million in the comparable period last year. The increase is primarily attributable to the U.S. Tax Services segment which increased its loss to $122.3 million from $101.6 million in the prior year.

The net loss from continuing operations was $82.8 million, or $.79 per share, compared to $70.0 million, or $.67 per share, for the same period last year.

An analysis of operations by segment follows.

U.S. TAX SERVICES

Revenues increased 13.1% to $184.9 million from $163.5 million last year, resulting primarily from higher tax-related service fees that are attributable to a 6.9% increase in clients served and price increases. Software sales also contributed $3.8 million to the increase. These increases were somewhat reduced by lower revenues related to RAL participations.

The pretax loss increased 20.3% to $122.3 million from $101.6 million last year due to inflationary increases and the number of new tax offices opened this year. In addition, costs increased due to improvements made to the client services and technology systems and an increase in the return allowance for retail software sales. Due to the seasonality of this segment's business, the first nine months operating results are not indicative of expected results for the entire fiscal year.

INTERNATIONAL TAX SERVICES

Revenues decreased 2.7% to $24.2 million from $24.9 million reported last year, primarily attributable to a weakening of Canadian and Australian dollars relative to the U.S. dollar.

The pretax loss increased 28.7% to $13.2 million from $10.2 million in the comparable period last year. The increased loss is mainly due to fewer discounted returns in Canada during January and investments made to open new offices in the United Kingdom and Australia. Due to the seasonality of this segment's business, the first nine months operating results are not indicative of expected results for the entire fiscal year.

MORTGAGE OPERATIONS

Revenues increased $86.3 million to $93.0 million from $6.7 million in the same period last year. Mortgage Operations reported earnings of $19.8 million, a 621.8% increase from earnings of $2.7 million in the prior year. These increases are primarily related to Option One which contributed revenues of $79.9 million this year, including gains totaling $44.1 million on whole-loan sales and earnings of $21.6 million.

CREDIT CARD OPERATIONS

Revenues increased 26.3% to $29.0 million from $22.9 million in the prior year. The increase is a result of higher average revolving credit card balances over the prior nine-month period.

The pretax loss increased 227.8% to $12.0 million from $3.7 million in the comparable period last year. The greater loss is attributable to increased bad debt, the write-off of deferred subscriber acquisition costs of $2.2 million and capitalized software costs of $1.6 million related to software which was being developed to provide a variety of online services to these and similar customers.

INVESTMENT INCOME, NET

Net investment income increased 38.3% to $9.5 million from $6.9 million last year. The increase resulted from more funds available for investment.

UNALLOCATED CORPORATE AND ADMINISTRATIVE

The unallocated corporate and administrative pretax loss for the first nine months increased 123.3% to $15.3 million from $6.9 million in the comparable period last year. The increase resulted mainly from interest expense of $9.3 million related to the acquisition of Option One. These expenses were partially offset by a decrease in expenses related to the planned spin-off of the Company's remaining investment in CompuServe.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The lawsuits discussed herein were reported in the Form 10-Q for each of the first and second quarters of fiscal 1998. CompuServe, certain current and former officers and directors of CompuServe and the registrant have been named as defendants in six lawsuits pending before the state and Federal courts in Columbus, Ohio. All suits allege 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 in April 1996. One state lawsuit also alleges certain oral omissions and misstatements in connection with such offering. Relief sought in the lawsuits is unspecified, but includes pleas for rescission and damages. One Federal lawsuit names the lead underwriters of CompuServe's initial public offering as additional defendants and as representatives of a defendant class consisting of all underwriters who participated in such offering. The Federal suits are both subject to pending motions to dismiss filed on behalf of the defendants, and they have been consolidated. The four state court lawsuits also allege violations of various state statutes and common law of negligent misrepresentation in addition to the 1933 Act claims. The state lawsuits have been consolidated for discovery. As a part of the sale of its interest in CompuServe, the Company has agreed to indemnify WorldCom and CompuServe against 80.1% of any losses and expenses incurred by them with respect to these lawsuits. The defendants are vigorously defending these lawsuits.

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

a) Exhibits

10(a)	Amendment No. 10 to the H&R Block Deferred Compensation Plan for Executives.
10(b)	Amendment No. 6 to the H&R Block Supplemental Deferred Compensation Plan for Executives.
10(c)	Amendment No. 5 to the H&R Block Deferred Compensation Plan for Directors.
(27)	Financial Data Schedule.

b) Reports on Form 8-K

A Form 8-K, Current Report, dated November 10, 1997, was filed by the registrant reporting as an "Other Event" the decision by the U.S. Department of Justice to permit the statutory waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 to expire in connection with the merger of CompuServe Corporation with and into WAC Acquisition Company, L.L.C., a wholly owned subsidiary of WorldCom, Inc. The press release related to the decision was included as an exhibit to the Form 8-K. No financial statements were filed as a part of the Form 8-K.

Except for the aforementioned Form 8-K, the registrant did not file any reports on Form 8-K during the third quarter of fiscal year 1998.

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 3/16/98 BY /s/ Ozzie Wenich

Ozzie Wenich
Senior Vice President and
Chief Financial Officer

DATE 3/16/98 BY /s/ Patrick D. Petrie

Patrick D. Petrie
Vice President and Corporate Controller

EXHIBIT 10(A)

AMENDMENT NO. 10
TO THE
H&R BLOCK DEFERRED COMPENSATION PLAN
FOR EXECUTIVES

H&R BLOCK, INC. (the "Company") adopted the H&R Block Deferred Compensation Plan for Executives (the "Plan"), effective as of August 1, 1987. The Company amended said Plan by Amendment No. 1, effective December 15, 1990; by Amendment No. 2, effective January 1, 1990; by Amendment No. 3, effective September 1, 1991; by Amendment No. 4, effective January 1, 1994; by Amendment No. 5, effective May 1, 1994; by Amendment No. 6, effective August 1, 1995; by Amendment No. 7, effective December 11, 1996; by Amendment No. 8, effective January 1, 1998; and by Amendment No. 9 effective as of January 1, 1997. The Company continues to retain the right to amend the Plan, pursuant to action by the Company's Board of Directors. The Company hereby exercises that right. This Amendment No. 10 is effective as of March 1, 1998, except for those provisions in Paragraphs 16, 17(ii) and 18, which are effective as of April 1, 1998.

AMENDMENT

1. The first sentence of the introductory paragraph of the Plan is replaced with the following new sentence:

> "H&R Block, Inc. (the "Company") hereby establishes, effective August 1, 1987, a nonqualified deferred compensation plan for the benefit of specified Executives of the Company and such other entities as may be designated by the Company from time to time."

2. The following new Section 2.1.1a is added to the Plan immediately after Section 2.1.1 and before Section 2.1.2:

> "2.1.1a 'Account Executive' means a person who has the title of Account Executive, is employed on a full-time basis by a Participating Affiliate, and is responsible for managing, overseeing, directing or handling the accounts of clients of the Participating Affiliate."

3. Section 2.1.4 of the Plan, as previously amended, is further amended by replacing said Section 2.1.4 with the following new Section 2.1.4:

> "2.1.4 'Annual Deferral Amount' means the amount of Base Salary, and/or Bonus that a Participant elects to defer each Plan Year under a Permissible Deferral. For those individuals first eligible to participate in the Plan prior to March 1, 1998, the amount of Base Salary included in the Annual Deferral Amount shall be equal to a percentage of the Participant's Base Salary that is not less than three percent (3%) and not greater than thirty-five percent (35%), and the amount of Bonus or Bonuses included in the Annual Deferral Amount shall be equal to (i) a flat dollar amount, expressed in one thousand dollar ($1,000) increments, or (ii) a percentage of the Bonus or Bonuses paid during the Plan Year that is not less than five percent (5%) and not greater than one hundred percent (100%), expressed in

> five percent (5%) increments. For those individuals eligible to participate in the Plan on or after March 1, 1998, the amount of Base Salary included in the Annual Deferral Amount shall be equal to a percentage within such parameters as are established by the Committee in its sole and absolute discretion, and the amount of Bonus or Bonuses included in the Annual Deferral Amount shall be equal to a percentage or flat dollar amount within such parameters as are established

by the Committee.

4. Section 2.1.5 of the Plan, as previously amended, is further amended (i) by replacing the words "a Participant" in the first sentence with the words "an Executive"; (ii) by inserting the following sentence after the first sentence thereof:

> "The 'Base Salary' of an Account Executive for any Plan Year means the total earnings and wages, including any and all commissions, incentives and bonuses, paid by all Affiliates to such individual during that Plan Year, including any amount which would be included in the definition of Base Salary, but for the individual's election to defer some of his or her earnings pursuant to this Plan or some other deferred compensation plan established by an Affiliate; but excluding any other remuneration paid by Affiliates, such as overtime, stock options, distributions of compensation previously deferred, restricted stock, allowances for expenses (including moving, travel expenses, and automobile allowances), and fringe benefits payable in a form other than cash.";

and (iii) by inserting the phrase "or earnings" after the phrase "reduce his salary" in the last sentence of such Section.

5. Section 2.1.8 of the Plan is amended (i) by replacing the words "a Participant" in the first sentence with the words "an Executive"; and (ii) by adding the following new sentence to the end of this Section:

> "For the purposes of this Plan, the terms Bonus and Bonuses specifically exclude any and all types of commissions, incentives or bonuses paid by any Affiliate to an Account Executive."

6. Section 2.1.17 of the Plan is replaced by the following new Section 2.1.17:

> "2.1.17 'Enrollment Period for a Plan Year commencing on January 1 means the immediate preceding period of October 1 through December 15. For the Plan Year for Group A Participants and Group B Participants first participating in the Plan on March 1, 1998, 'Enrollment Period' means the immediately preceding period of January 1 through February 20, 1998. At its sole and absolute discretion, the Committee may grant to a person eligible to participate in the Plan as a Group A Participant or a Group B Participant an 'Enrollment Period' consisting of the 30-day period immediately following the date on which such person is employed by an Affiliate."

7. Section 2.1.21 of the Plan is replaced with the following new Section 2.1.21:

> "2.1.21 'Participant' means an Executive or an Account Executive who is eligible to participate in the Plan and has elected to participate in the Plan."

8. Section 2.1.22 of the Plan is replaced with the following new Section 2.1.22:

> "2.1.22 'Participating Affiliate' or 'Participating Affiliates' means the Company and the following indirect subsidiaries of the Company: HRB Management, Inc., H&R Block Tax Services, Inc., Block Financial Corporation, Option One Mortgage Corporation, and the U.S. subsidiaries of such indirect subsidiaries; and such other entities as may be designated as such by the Company from time to time."

9. Section 2.1.23 of the Plan, as previously amended, is further

amended by replacing the second and third sentences of the first paragraph thereof with the following new sentences:

"For Executives, the aggregate of all deferrals may not exceed two hundred eighty percent (280%) of the Executive's total annual salary and wages paid by all Affiliates to such individual, as determined as of the later of July 1, 1987 or the date on which the Executive first became eligible to participate in the Plan. For Account Executives, the aggregate of all deferrals may not exceed two hundred eighty percent (280%) of the Account Executive's aggregate earnings and wages paid by all Affiliates to such individual during the twelve-month period ending on September 30 of the calendar year immediately preceding the Plan Year in which the Account Executive first becomes eligible to participate in the Plan. For purposes of the two immediately preceding sentences, such annual salary and wages and such annual earnings and wages shall include and exclude the same items of remuneration as are included or excluded from annual salary and wages and annual earnings and wages in the definition of Base Salary."

10. Section 2.1.25 of the Plan is replaced with the following new Section 2.1.25:

"2.1.25 'Plan Year' means the calendar year (i) for all Permissible Deferrals elected by Group B Participants, except for those Permissible Deferrals elected to commence on March 1, 1998, (ii) for Permissible Deferrals of Group A Participants elected to commence January 1, 1991 or later, except for those Permissible Deferrals elected to commence on March 1, 1998, and (iii) for all Permissible Deferrals and for all purposes when used in Sections 4.3, 4.4, 6.2, 6.3, 6.4, 6.6 and 6.7. For Permissible Deferrals of Group A Participants elected to commence on or before May 1, 1990, 'Plan Year' means the twelve month period ending each April 30, through April 30, 1997, the period between May 1, 1997 and December 31, 1997, inclusive, and the calendar year thereafter. For Permissible Deferrals of Group A Participants and Group B Participants elected to commence on March 1, 1998, 'Plan Year' means the ten-month period between March 1, 1998 and December 31, 1998, inclusive, and the calendar year thereafter. If the Committee grants to a person eligible to participate in the Plan as a Group A Participant or a Group B Participant a discretionary Enrollment Period in accordance with Section 2.1.17 and such person submits to the

Company a Permissible Deferral election, such Participant's first 'Plan Year' shall be the period (i) beginning on the first day of his or her first regular pay period commencing not less than 30 days after the Company's receipt of his or her Permissible Deferral election, and (ii) ending on December 31 of the year in which such pay period falls."

11. Section 3.1.2 of the Plan is amended by inserting the words "or Account Executives" after the word "Executives" therein.

12. Section 3.2 of the Plan, as previously amended, is further amended (i) by inserting the words "or Account Executive" after the word "Executive"; and (ii) by deleting the comma and phrase ", and subject to the provisions of Sections 3.6 and 3.7" from the last sentence of said Section.

13. Section 3.3 of the Plan, as previously amended, is further amended (i) by inserting the word "or" in between subsections (b) and (c) thereof; (ii) by replacing the comma at the end of subsection (c) with a period; (iii) by deleting the word "or" in between subsections (c) and (d) thereof; and (iv) by deleting subsection (d) thereof.

14. Section 3.6 of the Plan is amended by replacing it with the following new Section 3.6:

> "Section 3.6 Changes in Employment Status. If a Participant has a change in his or her employment responsibilities, title and/or compensation, such that the Participant would not qualify for initial participation in the Plan as a Group A Participant or Group B Participant, as determined by the Committee, (i) the Participant shall continue to make deferrals in accordance with the Participant's Permissible Deferral election for the Plan Year during which the change in employment responsibilities, title and/or compensation occurs, (ii) the Participant shall not be eligible to make Permissible Deferrals in Plan Years following the Plan Year during which the change in employment responsibilities, title and/or compensation occurs unless and until the Participant again qualifies for initial participation as a Group A Participant or a Group B Participant, as determined by the Committee, and (iii) the Participant shall otherwise continue to participate in the Plan.

15. Section 3.7 of the Plan is deleted therefrom in its entirety.

16. Section 4.1.1 of the Plan, as previously amended, is further amended by replacing the phrase "of the following calendar month" in the last sentence of the second paragraph thereof with the phrase "that month".

17. Section 4.1.2 of the Plan, as previously amended, is further amended (i) by replacing the second and third sentences of the first paragraph thereof with the following new sentences:

> "For each $1.00 of Base Salary or Bonus deferred pursuant to Section 4.1.1, the Company shall post an additional .50 to the Participant's Account,

> provided, however, that for Executives, the total of all Matching Contributions made pursuant to this Section 4.1.2 shall not exceed one hundred forty percent (140%) of the Executive's total annual salary and wages paid by all Affiliates to such individual, as determined as of the later of July 1, 1998 or the date on which the Executive first became eligible to participate in the Plan, and for Account Executives, the total of all Matching Contributions shall not exceed one hundred forty percent (140%) of the Account Executive's aggregate earnings and wages paid by all Affiliates to such individual during the twelve-month period ending on September 30 of the calendar year immediately preceding the Plan Year in which the Account Executive first becomes eligible to participate in the Plan. For purposes of the two immediately preceding sentences, such annual salary and wages and such annual earnings and wages shall include and exclude the same items of remuneration as are included or excluded from annual salary and wages and annual earnings and wages in the definition of Base Salary.";

and (ii) by replacing the phrase "of the following calendar month" in the first sentence of the second paragraph thereof with the phrase "that month".

18. Section 4.1.3 of the Plan, as previously amended, is further amended by replacing the phrase "of the following calendar month" in the first sentence of the second paragraph thereof with the phrase "that month".

19. Section 6.4.2 of the Plan is amended (i) by replacing the phrase "Section 6.4.5" in the first sentence thereof with the phrase "Section 6.4.4"; and (ii) by replacing the phrase "either Section 6.4.3 or Section 6.4.4" in the last sentence thereof with the phrase "Section 6.4.3".

20. Section 6.4.3 of the Plan is amended by replacing it with the

following new Section 6.4.3:

"6.4.3 The amount of each level payment for the Initial Payment Period, if any, shall be calculated using the balance in the Account as of the beginning of the Initial Payment Period and amortizing such balance over the remaining Overall Payment Period using an assumed interest rate equal to the rate of one-year United States Treasury notes, said rate to be determined once each Plan Year and to be the rate in effect as of the September 30 immediately preceding the payment period to which it applies, as published by Solomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company (the "Assumed Interest Rate"). The amount of each level payment for each Calendar Year Payment Period shall be calculated by taking the balance in the Account as of November 30 of the calendar year immediately prior to such Calendar Year Payment Period, subtracting the benefit payments made during the portion of such calendar year following November 30, and amortizing the difference over the remaining Overall Payment Period using the Assumed Interest Rate. The amount of each level payment for the Remainder Payment Period, if any, shall be calculated by taking the balance in the Account as of November 30 of the calendar year immediately prior to the Remainder Payment Period, subtracting the benefit payments made during the portion of such calendar year following November 30, and

amortizing the difference over the Remainder Payment Period using an assumed interest rate of zero percent (0%) per annum. If the actual crediting rate for the Remainder Payment Period is more than zero percent, the additional gain resulting from the difference shall be paid to the Participant in a single payment within six months after the last day of the Remainder Payment Period."

21. Section 6.4.4 of the Plan is deleted, and Sections 6.4.5, 6.4.6 and 6.4.7 are redesignated as Sections 6.4.4, 6.4.5 and 6.4.6, respectively.

22. Section 6.4.6 (previously Section 6.4.7) of the Plan is amended by replacing the reference to "Section 6.4.4" therein with the phrase "Section 6.4.3".

23. Section 9.1 of the Plan, as previously amended, is further amended by replacing the references to "Section 6.4.4" and "Section 6.4.7" therein with the phrases "Section 6.4.3" and "Section 6.4.6", respectively.

24. Except as modified in this Amendment No. 10, the Plan, as previously amended, shall remain in full force and effect, including the Company's right to amend or terminate the Plan as set forth in Article 9 of the Plan.

H&R BLOCK, INC.

By: /s/ Frank L. Salizzoni

Its: President and Chief Executive Officer

EXHIBIT 10(B)

AMENDMENT NO. 6
TO THE
H&R BLOCK SUPPLEMENTAL
DEFERRED COMPENSATION PLAN FOR EXECUTIVES

H&R BLOCK, INC. (the "Company") adopted the H&R Block Supplemental Deferred Compensation Plan for Executives (the "Plan") effective as of May 1, 1994. The Company amended said Plan by Amendment No. 1 effective September 7, 1994; by Amendment No. 2 effective August 1, 1995; by Amendment No. 3 effective December 11, 1996; by Amendment No. 4, effective January 1, 1998; and by Amendment No. 5, effective January 1, 1997. The Company continues to retain the right to amend the Plan, pursuant to action by the Company's Board of Directors. The Company hereby exercises that right. This Amendment No. 6 is effective as of March 1, 1998, except for the provisions of Paragraphs 16, 17 , which are effective as of April 1, 1998.

AMENDMENT

1. The first sentence of the introductory paragraph of the Plan is replaced with the following new sentence:

> "H&R Block, Inc. (the "Company") hereby establishes, effective May 1, 1994, a nonqualified deferred compensation plan for the benefit of specified Executives of the Company, and the following indirect subsidiaries of the Company: HRB Management, Inc., H&R Block Tax Services, Inc., Block Financial Corporation, Option One Mortgage Corporation, and the U.S. subsidiaries of such indirect subsidiaries; and such other entities as may be designated by the Company from time to time."

2. The following new Section 2.1.1a is added to the Plan immediately after Section 2.1.1 and before Section 2.1.2:

> "2.1.1a 'Account Executive' means a person who has the title of Account Executive, is employed on a full-time basis by a Participating Affiliate, and is responsible for managing, overseeing, directing or handling the accounts of clients of the Participating Affiliate."

3. Section 2.1.4 of the Plan, as previously amended, is further amended by replacing said Section 2.1.4 with the following new Section 2.1.4:

> "2.1.4 'Annual Deferral Amount' means the amount of Base Salary, and/or Bonus that a Participant elects to defer each Plan Year under a Permissible Deferral. For those individuals first eligible to participate in the Plan prior to March 1, 1998, the amount of Base Salary included in the Annual Deferral Amount shall be equal to a percentage of the Participant's Base Salary that is not less than three percent (3%) and not greater than thirty-five percent (35%), and the amount of Bonus or Bonuses included in the Annual Deferral Amount shall be equal to (i) a flat dollar amount, expressed in one thousand dollar ($1,000) increments, or (ii) a percentage of the Bonus or Bonuses paid during the Plan Year that is not less than five

> percent (5%) and not greater than one hundred percent (100%), expressed in five percent (5%) increments. For those individuals first eligible to participate in the Plan on or after March 1, 1998, the amount of Base Salary included in the Annual Deferral Amount shall be equal to a percentage within such parameters as are established by the Committee in its sole and absolute discretion, and the amount of Bonus or Bonuses included in the Annual Deferral

Amount shall be equal to a percentage or flat dollar amount within such parameters as are established by the Committee.

4. Section 2.1.5 of the Plan, as previously amended, is further amended (i) by replacing the words "a Participant" in the first sentence with the words "an Executive"; (ii) by inserting the following sentence after the first sentence thereof:

> "The 'Base Salary' of an Account Executive for any Plan Year means the total earnings and wages, including any and all commissions, incentives and bonuses, paid by all Affiliates to such individual during that Plan Year, including any amount which would be included in the definition of Base Salary, but for the individual's election to defer some of his or her earnings pursuant to this Plan or some other deferred compensation plan established by an Affiliate; but excluding any other remuneration paid by Affiliates, such as overtime, stock options, distributions of compensation previously deferred, restricted stock, allowances for expenses (including moving, travel expenses, and automobile allowances), and fringe benefits payable in a form other than cash.";

and (iii) by inserting the phrase "or earnings" after the phrase "reduce his or her salary" in the last sentence of said Section.

5. Section 2.1.8 of the Plan is amended (i) by replacing the words "a Participant" in the first sentence with the words "an Executive"; and (ii) by adding the following new sentence to the end of this Section:

> "For the purposes of this Plan, the terms Bonus and Bonuses specifically exclude any and all types of commissions, incentives or bonuses paid by any Affiliate to an Account Executive."

6. Section 2.1.19 of the Plan is amended by adding the following new sentence to the end of said Section:

> "For the Plan Year commencing on March 1, 1998, 'Enrollment Period' means the immediately preceding period of January 1 through February 20, 1998."

7. Section 2.1.23 of the Plan is replaced with the following new Section 2.1.23:

> "2.1.23 'Participant' means an Executive or an Account Executive who is eligible to participate in the Plan and has elected to participate in the Plan."

8. Section 2.1.24 of the Plan is replaced with the following new Section 2.1.24:

> "2.1.24 'Participating Affiliate' or 'Participating Affiliates' means the Company and the following indirect subsidiaries of the Company: HRB Management, Inc., H&R Block Tax Services, Inc., Block Financial Corporation, Option One Mortgage Corporation, and the U.S. subsidiaries of such indirect subsidiaries; and such other entities as may be designated as such by the Company from time to time."

9. Section 2.1.25 of the Plan, as previously amended, is further amended by replacing the second and third sentences of the first paragraph thereof with the following new sentences:

"For Executives, the aggregate of all deferrals may not exceed two hundred eighty percent (280%) of the Executive's total annual salary and wages paid by all Affiliates to such individual, as determined as of the later of July 1, 1987 or the date on which the Executive first became eligible to participate in the Plan. For Account Executives, the aggregate of all deferrals may not exceed two hundred eighty percent (280%) of the Account Executive's aggregate earnings and wages paid by all Affiliates to such individual during the twelve-month period ending on September 30 of the calendar year immediately preceding the Plan Year in which the Account Executive first becomes eligible to participate in the Plan. For purposes of the two immediately preceding sentences, such annual salary and wages and such annual earnings and wages shall include and exclude the same items of remuneration as are included or excluded from annual salary and wages and annual earnings and wages in the definition of Base Salary.";

10. Section 2.1.27 of the Plan is amended by inserting the following sentence after the second sentence thereof:

"For Permissible Deferrals elected to commence on March 1, 1998, 'Plan Year' means the ten-month period between March 1, 1998 and December 31, 1998, inclusive, and the calendar year thereafter."

11. Section 3.1 of the Plan is amended by inserting the words "or Account Executives" after the word "Executives" therein.

12. Section 3.2 of the Plan, as previously amended, is further amended (i) by inserting the words "or Account Executive" after the word "Executive"; and (ii) by deleting the comma and phrase ", and subject to the provisions of Sections 3.6 and 3.7" from the last sentence of said Section.

13. Section 3.3 of the Plan, as previously amended, is further amended (i) by inserting the word "or" in between subsections (a) and (b) thereof; (ii) by replacing the comma at the end of subsection (b) with a period; (iii) by deleting the word "or" in between subsections (b) and (c) hereof; and (iv) by deleting subsection (c) thereof.

14. Section 3.6 of the Plan is amended by replacing it with the following new Section 3.6:

"Section 3.6 Changes in Employment Status. If a Participant has a change in his or her employment responsibilities, title and/or compensation, such that the Participant would not qualify for initial participation in the Plan, (i) the Participant shall continue to make deferrals in accordance with the Participant's Permissible Deferral election for the Plan Year during which the change in employment responsibilities, title or compensation occurs, (ii) the Participant shall not be eligible to make Permissible Deferrals in Plan Years following the Plan Year during which the change in employment responsibilities, title and/or compensation occurs unless and until the Participant again qualifies for initial participation in the

Plan, and (iii) the Participant shall otherwise continue to participate in the Plan."

15. Section 3.7 of the Plan is deleted therefrom in its entirety.

16. Section 4.1.1 of the Plan, as previously amended, is further amended by replacing the phrase "of the following calendar month" in the last sentence thereof with the phrase "that month".

17. Section 4.1.2 of the Plan, as previously amended, is further amended by replacing the phrase "of the following calendar month" in the first sentence of the second paragraph thereof with the phrase "that month".

18. Section 4.3.1 of the Plan, as previously amended, is further amended (i) by deleting the phrase "which immediately follows the calendar month" in the first sentence thereof; (ii) by deleting the phrase "the first calendar month that immediately follows" in the second sentence thereof; and (iii) by replacing the last sentence thereof with the following new sentence:

> "Except for distributions in the form of a lump sum and distributions pursuant to Section 6.6.2, a Participant's Account shall be valued for each payment period specified in Section 6.4 that follows the Plan Year in which benefit payments commence as of November 30 of the calendar year immediately preceding each such payment period, as described in Section 6.4.2."

19. Section 4.3.2 of the Plan is amended by deleting the phrase "which immediately follows the calendar month" from the first sentence thereof and by adding the following new sentence at the end thereof:

> "Except for distributions in the form of a lump sum, a Participant's Account shall be valued for each payment period specified in Section 6.4 that follows the Plan Year in which benefit payments commence as of November 30 of the calendar year immediately preceding each such payment period, as described in Section 6.4.2."

20. Section 6.4.2 of the Plan is amended by replacing it with the following new Section 6.4.2:

> "6.4.2 The amount of each level payment for the Initial Payment Period, if any, shall be calculated using the balance in the Account as of the beginning of the Initial Payment Period and amortizing such balance over the remaining Overall Payment Period using an assumed interest rate equal to the rate of one-year United States Treasury notes, said rate to be determined once each Plan Year and to be the rate in effect as of the September 30 immediately preceding the payment period to which it applies, as published by Solomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company (the "Assumed Interest Rate"). The amount of each level payment for each Plan Year Payment Period shall be calculated by taking the balance in the Account as of November 30 of the calendar year immediately prior to such Plan Year Payment Period, subtracting the benefit payments made during the portion of such calendar year following November 30, and amortizing the difference over the remaining Overall Payment Period using the Assumed Interest Rate. The amount of each level payment for the Remainder Payment Period, if any, shall be calculated by taking the balance in the Account as of November 30 of the calendar year immediately prior to the Remainder Payment Period,

subtracting the benefit payments made during the portion of such calendar year following November 30, and amortizing the difference over the Remainder Payment Period using an assumed interest rate of zero percent (0%) per annum. If the actual crediting rate for the Remainder Payment Period is more than zero percent, the additional gain resulting from the difference shall be paid to the Participant in a single payment within six months after the last day of the Remainder Payment Period."

21. Section 6.4.3 of the Plan is deleted therefrom in its entirety and Section 6.4.4 is redesignated as Section 6.4.3.

22. Except as modified in this Amendment No. 6, the Plan, as previously amended, shall remain in full force and effect, including the Company's right to amend or terminate the Plan as set forth in Article 9 of the Plan.

H&R BLOCK, INC.

By: /s/ Frank L. Salizzoni

Its: President and Chief Executive Officer

EXHIBIT 10(C)

AMENDMENT NO. 5
TO THE
H&R BLOCK
DEFERRED COMPENSATION PLAN FOR DIRECTORS

H&R BLOCK, INC. (the "Company") adopted the H&R Block Deferred Compensation Plan for Directors (the "Plan") effective as of August 1, 1987. The Company amended said Plan by Amendment No. 1 effective May 1, 1995; by Amendment No. 2 effective December 11, 1996; by Amendment No. 3 effective May 1, 1997; and by Amendment No. 4 effective January 1, 1998. The Company continues to retain the right to amend the Plan pursuant to action by the Company's Board of Directors. The Company hereby exercises that right. This Amendment No. 5 is effective as of March 1, 1998, except for the provisions in Paragraph 3, which are effective as of April 1, 1998.

AMENDMENT

1. The first sentence of the introductory paragraph of the Plan is replaced with the following new sentence:

> "H&R Block, Inc. (the "Company") hereby establishes, effective September 1, 1987, a nonqualified deferred compensation plan for the benefit of specified Directors of the Company and such other entities as may be designated by the Company from time to time."

2. Section 2.1.15 of the Plan, as previously amended, is further amended by inserting the phrase "Option One Mortgage Corporation," immediately after the phrase "Block Financial Corporation," therein.

3. Section 4.1 of the Plan, as previously amended, is further amended by replacing the phrase "the following calendar month" in subsection (c)(ii) thereof with the phrase "that month".

4. Section 6.2.3 of the Plan, as previously amended, is further amended by replacing it with the following new Section 6.2.3:

> "6.2.3 The amount of each level payment for the Initial Payment Period, if any, shall be calculated using the balance in the Account as of the beginning of the Initial Payment Period and amortizing such balance over the remaining Overall Payment Period using an assumed interest rate equal to the rate of one-year United States Treasury notes, said rate to be determined once each Plan Year and to be the rate in effect as of the September 30 immediately preceding the payment period to which it applies, as published by Solomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company (the "Assumed Interest Rate"). The amount of each level payment for each Calendar Year Payment Period shall be calculated by taking the balance in the Account as of November 30 of the calendar year immediately prior to such Calendar Year Payment Period, subtracting the benefit payments made during the portion of such calendar year following November 30, and amortizing the difference over the remaining Overall Payment Period using the Assumed Interest Rate. The amount of each level

> payment for the Remainder Payment Period, if any, shall be calculated by taking the balance in the Account as of November 30 of the calendar year immediately prior to the Remainder Payment Period, subtracting the benefit payments made during the portion of such calendar year following November 30, and amortizing the difference over the Remainder Payment Period using an assumed interest rate of zero percent (0%) per annum. If the actual crediting rate for the Remainder Payment Period is more than zero percent, the additional gain resulting from the difference shall be paid to the Participant in a single payment within six months after the last day of the

Remainder Payment Period."

5. Section 6.2.6 of the Plan, as previously amended, is furtheramended by replacing the phrase "Section 6.2.4" with the phrase "Section 6.2.3".

6. Section 6.2.4 of the Plan is deleted and Sections 6.2.5 and 6.2.6 are redesignated as Sections 6.2.4 and 6.2.5, respectively.

7. Section 9.1 of the Plan, as previously amended, is further amended (i) by replacing the phrases "Section 6.2.6" with the phrase "Section 6.2.5"; and (ii) by replacing the phrase "Section 6.2.4" with the phrase "Section 6.2.3".

8. Except as modified in this Amendment No. 5, the Plan, as previously amended, shall remain in full force and effect, including the Company's right to amend or terminate the Plan as set forth in Article 9 of the Plan.

H&R BLOCK, INC.

By: /s/ Frank L. Salizzoni

Its: President and Chief Executive Officer

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THIS 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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