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, 1996

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

Commission file number 1-6089

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

MISSOURI	44-0607856
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4400 Main Street
Kansas City, Missouri 64111
(Address of principal executive offices, including zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

The number of shares outstanding of the registrant's Common Stock, without par value, at March 8, 1996 was 103,385,215 shares.

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

	JANUARY 31, 1996	APRIL 30, 1995
ASSETS	(UNAUDITED)	(AUDITED)
CURRENT ASSETS		
Cash (including certificates of deposit of $8,114 and $25,781)	$ 60,681	$ 90,248
Marketable securities	36,741	263,239
Receivables, less allowance for doubtful accounts of $10,653 and $7,274	344,899	260,198
Prepaid expenses	51,586	21,823
TOTAL CURRENT ASSETS	493,907	635,508
INVESTMENTS AND OTHER ASSETS		
Investments in marketable securities	-	91,494
Excess of cost over fair value of net tangible assets acquired, net of amortization	60,062	78,205
Other	130,187	45,383
	190,249	215,082
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation and amortization	344,450	227,448
	$1,028,606	$1,078,038
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable	$ 244,539	$ 49,421
Accounts payable, accrued expenses and deposits	157,670	145,909
Accrued salaries, wages and payroll taxes	43,514	71,281
Accrued taxes on income	29,280	92,100
TOTAL CURRENT LIABILITIES	475,003	358,711
OTHER NONCURRENT LIABILITIES	37,780	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	139,549	140,578
Retained earnings	591,206	700,423
	731,848	842,094
Less cost of 5,624,754 and 4,109,662 shares of common stock in treasury	216,025	156,229
	515,823	685,865
	$1,028,606	$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 JANUARY 31, 1996	THREE MONTHS ENDED JANUARY 31, 1995
REVENUES		
Service revenues	$296,060	$252,528
Royalties	9,068	8,931
Investment income	229	4,104
Other income	6,715	2,451
	312,072	268,014
EXPENSES		
Employee compensation and benefits	105,124	94,643
Occupancy and equipment	98,738	74,777
Marketing and advertising	21,151	17,649
Supplies, freight and postage	29,812	20,490
Other	66,129	47,353
	320,954	254,912
EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE (BENEFIT)	(8,882)	13,102
Income tax expense (benefit)	(3,411)	5,018
NET EARNINGS (LOSS)	$ (5,471)	$ 8,084
Weighted average number of common shares outstanding	103,361	105,658
Net earnings (loss) per share	$ (.05)	$ .08
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

	NINE MONTHS ENDED JANUARY 31, 1996	NINE MONTHS ENDED JANUARY 31, 1995
REVENUES		
Service revenues	$711,871	$551,651
Royalties	14,045	13,560
Investment income	7,402	13,809
Other income	20,781	7,251
	754,099	586,271
EXPENSES		
Employee compensation and benefits	221,551	189,545
Occupancy and equipment	269,976	199,759
Marketing and advertising	41,300	37,972
Supplies, freight and postage	62,954	38,048
Other	172,187	114,671
	767,968	579,995
EARNINGS (LOSS) BEFORE INCOME TAX EXPENSE (BENEFIT)	(13,869)	6,276
Income tax expense (benefit)	(5,326)	2,404

NET EARNINGS (LOSS)	$ (8,543)	$ 3,872
Weighted average number of common shares outstanding	104,069	105,729
Net earnings (loss) per share	$ (.08)	$ .04
Dividends per share	$ .9525	$ .905

See Notes to Consolidated Financial Statements.

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

	NINE MONTHS ENDED JANUARY 31,	
	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings (loss)	$ (8,543)	$ 3,872
Adjustments to reconcile net earnings (loss) to net cash used in operating activities:		
Depreciation and amortization	74,528	49,364
Amortization of deferred subscriber acquisition costs	9,267	-
Gain on sale of subsidiaries	(12,445)	(2,796)
Other noncurrent liabilities	4,318	10,417
Changes in:		
Receivables	(90,460)	(97,944)
Prepaid expenses	(30,384)	(12,321)
Deferred subscriber acquisition costs	(74,876)	-
Accounts payable, accrued expenses and deposits	14,597	(38,961)
Accrued salaries, wages and payroll taxes	(27,229)	(13,254)
Accrued taxes on income	(63,609)	(99,223)
NET CASH USED IN OPERATING ACTIVITIES	(204,836)	(200,846)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(356,855)	(1,166,754)
Maturities and sales of marketable securities	676,895	1,537,046
Purchases of property and equipment	(180,829)	(82,675)
Excess of cost over fair value of net tangible assets acquired	(11,264)	(6,042)
Proceeds from sale of subsidiary	35,000	-
Other, net	(22,158)	(1,314)
NET CASH PROVIDED BY INVESTING ACTIVITIES	140,789	280,261
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of notes payable	(1,452,392)	(1,353,360)
Proceeds from issuance of notes payable	1,647,510	1,443,984
Dividends paid	(99,813)	(95,185)
Payments to acquire treasury shares	(71,897)	(110,668)
Proceeds from stock options exercised	11,072	54,469
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	34,480	(60,760)
NET INCREASE (DECREASE) IN CASH	(29,567)	18,655
CASH AT BEGINNING OF PERIOD	90,248	41,343
CASH AT END OF PERIOD	$ 60,681	$ 59,998
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Income taxes paid	$ 58,281	$ 101,627
Interest paid	2,898	2,635

See Notes to Consolidated Financial Statements.

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

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

   Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's April 30, 1995 Annual Report to Shareholders.

   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 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 $65,609,000 at January 31, 1996, and decreased the net loss by $40,415,000 and the net loss per share by $.39 for the nine months ended January 31, 1996. Amortization of direct response advertising assets was $9,267,000 for the nine months ended January 31, 1996. The Company expenses advertising costs not classified as direct response the first time the advertising takes place.

5. During the nine months ended January 31, 1996, the net unrealized holding gain on available-for-sale securities increased $1,261,000 to $1,496,000.

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 earnings (loss) per common share is based on the weighted average number of shares outstanding during each period, and in periods in which they have a dilutive effect, the effect of common shares contingently issuable from stock options and convertible preferred stock. The weighted average shares outstanding for the nine months ended January 31, 1996 is 104,069,000 compared to 105,729,000 in the prior year, due to repurchase of outstanding shares and the exclusion of common stock equivalents from weighted shares outstanding for the nine months ended January 31, 1996 because of their dilutive effect.

8. During the nine months ended January 31, 1996 and 1995, the Company issued 318,108 and 1,496,273 shares, respectively, pursuant to provisions for exercise of stock options under its stock option plans; during the same periods, the Company acquired 1,833,200 and 2,790,900 shares of its common stock at an aggregate cost of $71,897,000 and $110,668,000, 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 $18.9 million at January 31, 1996. The working capital ratio at January 31, 1996 is 1.0 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. Additionally, the Company has used its working capital to fund the investment initiatives of CompuServe Incorporated approved by the Board of Directors in July 1995.

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 commercial paper borrowings to purchase refunds due its clients. Block Financial Corporation (BFC), a wholly-owned subsidiary of the Company, incurs short-term commercial paper borrowings throughout the year to fund receivables associated with its credit card program. At January 31, 1996, short-term borrowings used to purchase refunds in Canada and fund credit card receivables totaled $22.4 million and $62.1 million, respectively, compared to $49.4 million related entirely to credit card receivables at April 30, 1995. 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 nine months were funded through both internally-generated funds and short-term borrowing. During the third quarter of fiscal 1996, the Company obtained a $200 million line of credit facility to fund short-term operating needs of the Company. At January 31, 1996, $160.0 million was outstanding under this line of credit facility. The Company expects to extend the line of credit, which expires in April 1996.

The Company's Board of Directors has approved a series of investment initiatives for CompuServe Incorporated (CompuServe) 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 expected to reduce the Company's fiscal 1996 profitability. However, management anticipates that these initiatives will have a positive impact on CompuServe's revenues in fiscal 1996 and on its 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 had been suspended while consideration was given to the strategic investments in CompuServe described above. The buyback program was also suspended during the third quarter while management considered the initial public offering of stock by CompuServe. As of January 31, 1996, the Company has purchased 4,757,200 of the ten million shares authorized for repurchase.

On February 20, 1996, the Board of Directors approved a plan that will separate CompuServe from the Company. Management anticipates that, in April 1996, up to 20% of CompuServe will be offered through an initial public offering of common stock. The Company has announced its intention to completely separate CompuServe from the Company through a tax-free spin-off or split-off within 12 months after the initial public offering. The distribution will be subject to receiving a favorable ruling from the Internal Revenue Service or an opinion of counsel regarding the tax-free nature of the transaction, certain other conditions, and the absence of any change in market conditions or circumstances that causes the Board of Directors to conclude that the distribution is not in the best interest of the Company's shareholders. CompuServe will repay certain intercompany debt from the proceeds of the initial public offering; CompuServe will retain all remaining proceeds to fund accelerated investment initiatives described above.

Subject to developments in the Company's business, its results from operations and the annual review of its dividend policy, the quarterly dividend will remain at $.32 per share. The quarterly dividend may also be affected by further review in connection with the contemplated distribution of CompuServe.

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

	Revenues		Earnings (loss)	
	1996	1995	1996	1995
Computer services	$203,032	$154,172	$ 22,121	$ 41,207
Tax services	97,581	96,002	(29,393)	(28,762)
Financial services	12,750	14,911	2,112	706
Intersegment sales	(2,001)	(2,774)	-	-
	311,362	262,311	(5,160)	13,151
Investment income	227	4,104	227	4,104
Unallocated corporate	483	1,599	(3,949)	(4,153)
	$312,072	$268,014	(8,882)	13,102
Income tax expense (benefit)			(3,411)	5,018
Net earnings (loss)			$ (5,471)	$ 8,084

Consolidated revenues for the three months ended January 31, 1996 increased 16.4% to $312.072 million from $268.014 million last year. The increase is primarily due to greater revenues reported by the Computer Services segment.

The consolidated pretax loss for the third quarter of fiscal 1996 was $8.882 million, compared to pretax earnings of $13.102 million in the third quarter of last year. The significant change in third quarter results 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 $5.471 million, or $.05 per share, compared to net earnings of $8.084 million, or $.08 per share, for the same period last year.

An analysis of operations by segment follows.

COMPUTER SERVICES

Revenues increased 31.7% to $203.032 million from $154.172 million in the comparable period last year, due to increases in consumer and network revenues. Consumer Services revenues were 31.6% better than last year, despite two price decreases introduced in September 1995 and February 1995. The growth in consumer revenues is due to customer acquisitions and increased usage. The number of worldwide users

of CompuServe and its licensee and distributors increased 1.6 million to 4.3 million at the end of the third quarter of fiscal 1996. Network Services revenues were 33.7% better than last year, also due to increasing usage and new customers. As of January 31, 1996, CompuServe had 928 network customers, a 32.8% increase compared to the same date a year ago.

Pretax earnings decreased 46.3% to $22.121 million from $41.207 million in the third quarter of fiscal 1995. Pretax earnings as a percentage of revenues was 10.9% for the third quarter of fiscal 1996, compared to 26.7% 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 increased 1.6% to $97.581 million from $96.002 million last year, primarily due to an increase in sales of supplies to franchises in the United States.

The pretax loss increased by 2.2% to $29.393 million from $28.762 million in the third quarter of last year, due to expected inflationary increases in employee costs and office rent.

FINANCIAL SERVICES

Revenues decreased 14.5% to $12.750 million from $14.911 million in the same period last year. The decrease in revenues was due to lower revenues from sales of TaxCut software and the revenues of certain operations sold or transferred in May 1995.

Pretax earnings improved to $2.112 million from $706 thousand in the third quarter of fiscal 1995, due to lower marketing and advertising expense and lower amortization of goodwill, partially offset by higher bad debt expense.

INVESTMENT INCOME

Net investment income decreased 94.5% to $227 thousand from $4.104 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, a decrease in proceeds from stock options exercised in September by seasonal employees, and interest expense incurred for corporate borrowings.

CORPORATE AND ADMINISTRATIVE EXPENSES

The corporate and administrative pretax loss for the third quarter decreased 4.9% to $3.949 million from $4.153 million in the comparable period last year, due to lower employee benefits expense.

THREE MONTHS ENDED JANUARY 31, 1996 (THIRD QUARTER) COMPARED TO
THREE MONTHS ENDED OCTOBER 31, 1995 (SECOND QUARTER)
(AMOUNTS IN THOUSANDS)

	Revenues		Earnings (loss)	
	3rd Qtr	2nd Qtr	3rd Qtr	2nd Qtr
Computer services	$203,032	$188,373	$ 22,121	$ 22,072
Tax services	97,581	27,602	(29,393)	(34,351)
Financial services	12,750	6,815	2,112	(1,504)
Intersegment sales	(2,001)	(1,999)	-	-
	311,362	220,791	(5,160)	(13,783)
Investment income	227	2,867	227	2,867
Unallocated corporate	483	255	(3,949)	(2,554)
	$312,072	$223,913	(8,882)	(13,470)
Income tax benefit			(3,411)	(5,172)
Net loss			$ (5,471)	$ (8,298)

Consolidated revenues increased 39.4% to $312.072 million from $223.913 million in the second quarter of fiscal 1996. The improvement is due to higher revenues generated by all of the operating segments, with the majority of the increase attributable to the Tax Services segment, due to the beginning of the tax filing period.

The consolidated pretax loss decreased 34.1% to $8.882 million from $13.470 million for the three months ended October 31, 1995. The improvement is largely due to the Tax Services and Financial Services segments, partially offset by lower investment income and higher corporate expenses.

The net loss also decreased 34.1% to $5.471 million, or $.05 per share, from $8.298 million, or $.08 per share, for the second quarter of fiscal 1996.

An analysis of operations by segment follows.

COMPUTER SERVICES

Revenues increased 7.8% to $203.032 million from $188.373 million reported in the second quarter of fiscal 1996. The increase is due to greater revenues generated by the Consumer Services and Network Services divisions. Consumer Services and Network Services revenues for the three months ended January 31, 1996 increased 6.3% and 7.4%, respectively, as compared to the second quarter of fiscal 1996. The growth in Consumer Services is due to customer acquisitions, partially offset by a decrease in the monthly revenue per subscriber resulting from the September 1995 price reductions. The number of worldwide users of CompuServe and its licensee and distributors increased 490,000 during the third quarter. The growth in Network Services resulted from new customers, which increased 7.5% during the third quarter to 928.

Pretax earnings increased .2% to $22.121 million from $22.072 million in the second quarter of fiscal 1996. Pretax earnings as a percentage of revenues was 10.9% for the third quarter, compared to 11.7% for the second quarter of the fiscal year. The decrease in the pretax margin was caused by the price reductions implemented in September 1995 related to CompuServe's consumer information service.

TAX SERVICES

Revenues increased to $97.581 million from $27.602 million in the second quarter of fiscal 1996. The pretax loss decreased 14.4% to $29.393 million from $34.351 million for the three months ended October 31, 1995. The improved results are due to the onset of the tax filing season in the United States and Canada in January.

FINANCIAL SERVICES

Revenues increased 87.1% to $12.750 million from $6.815 million for the three months ended October 31, 1995. The increase resulted almost entirely from sales of TaxCut software. Tax preparation software sales are highly seasonal, and normally peak in the third and fourth quarters of the fiscal year concurrent with the tax filing season.

Pretax earnings were $2.112 million, compared to a pretax loss of $1.504 million for the second quarter of fiscal 1996, due to earnings related to TaxCut software sales and lower marketing and advertising expense, partially offset by higher bad debt expense, both related to credit card operations.

INVESTMENT INCOME

Net investment income decreased 92.1% to $227 thousand from $2.867 million for the three months ended October 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 interest incurred on corporate borrowings.

CORPORATE AND ADMINISTRATIVE EXPENSES

The corporate and administrative pretax loss increased 54.6% to $3.949 million from $2.554 million in the second quarter of fiscal 1996, resulting primarily from increased employee benefits expense and professional fees.

NINE MONTHS ENDED JANUARY 31, 1996 (FYTD) COMPARED TO
NINE MONTHS ENDED JANUARY 31, 1995 (FYTD)
(AMOUNTS IN THOUSANDS)

	Revenues		Earnings (loss)	
	1996	1995	1996	1995
Computer services	$ 577,955	$ 418,699	$ 88,323	$ 109,455
Tax services	135,139	133,298	(104,963)	(103,874)
Financial services	38,302	24,652	4,092	(4,388)
Intersegment sales	(6,011)	(8,324)	-	-
	745,385	568,325	(12,548)	1,193
Investment income	7,401	13,809	7,401	13,809
Unallocated corporate	1,313	4,137	(8,722)	(8,726)
	$ 754,099	$ 586,271	(13,869)	6,276
Income tax expense (benefit)			(5,326)	2,404
Net earnings (loss)			$ (8,543)	$ 3,872

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Consolidated revenues for the nine months ended January 31, 1996 increased 28.6% to $754.099 million from $586.271 million last year. The increase is principally due to greater revenues reported by the Computer Services and Financial Services segments, which includes the gain on the sale of MECA Software, Inc. of $12.445 million.

The consolidated pretax loss was $13.869 million, compared to pretax earnings of $6.276 million in the comparable period last year. The decline in operating results is primarily due to the Computer Services segment and lower investment income, offset by the 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, both of which are included in Financial Services.

The net loss was $8.543 million, or $.08 per share, compared to net earnings of $3.872 million, or $.04 per share, for the comparable period last year.

An analysis of operations by segment follows.

COMPUTER SERVICES

Revenues increased 38.0% to $577.955 million from $418.699 million last year due to increases in both Consumer Services and Network Services revenues. Consumer Services revenues increased 45.2% over last year. The growth is due to the increase in customers and usage, offset by price reductions introduced in February and September 1995. The number of worldwide users of CompuServe and its licensee and distributors has increased 1.6 million as compared to last year to 4.3 million. Network Services revenues were 33.7% better than last year, due to increasing usage and new customers. At January 31, 1996, network customers increased 32.8% as compared with the same date last year.

Pretax earnings decreased 19.3% to $88.323 million from $109.455 million last year. Pretax earnings as a percentage of revenues was 15.3% for the nine months ended January 31, 1996, compared to 26.1% 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 January 1995.

TAX SERVICES

Revenues increased 1.4% to $135.139 million from $133.298 million last year, primarily due to higher revenues generated from Australian tax operations which completed its tax filing season during the third quarter.

The pretax loss increased 1.0% to $104.963 million from $103.874 a year earlier, due to the late mailing of W-2s by employers, which resulted in a delay in the start of the early peak in tax return preparation and electronic filing in the United States.

FINANCIAL SERVICES

Revenues increased 55.4% to $38.302 million from $24.652 million last year, largely due to the gain on the sale of MECA Software, Inc. in fiscal 1996 of $12.445 million and increased revenues produced by credit card operations, offset by revenues of operations sold or transferred at the beginning of fiscal 1995.

Pretax earnings for the first nine months was $4.092 million, compared to a pretax loss of $4.388 million last year, 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 improved earnings from credit card operations, attributable to lower advertising and marketing expense and higher revolving account balances.

INVESTMENT INCOME

Net investment income decreased 46.4% to $7.401 million from $13.809 million last year. The decrease resulted primarily from less funds available for investment, due to the marketing and capital investments being made in CompuServe, a decrease in proceeds from seasonal stock option exercises and interest expense associated with corporate borrowings.

CORPORATE AND ADMINISTRATIVE EXPENSES

The corporate and administrative pretax loss of $8.722 million remained relatively level with last year's loss of $8.726 million.

PART II - OTHER INFORMATION

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

(a) Exhibits

(10)(a) The Company's 1993 Long-Term Executive Compensation Plan, as amended.

(10)(b) Letter setting forth compensatory arrangement for George T. Robson, Senior Vice President and Chief Financial Officer of the Company.

(27) Financial Data Schedule.

(b) Reports on Form 8-K

The registrant did not file any reports on Form 8-K during the third 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 3/15/96 BY /s/ George T. Robson

George T. Robson
Senior Vice President and
Chief Financial Officer

DATE 3/15/96 BY /s/ Ozzie Wenich

Ozzie Wenich
Vice President, Finance
and Treasurer

EXHIBIT (10)(a)

H&R BLOCK, INC.

1993 LONG-TERM EXECUTIVE COMPENSATION PLAN
(As Amended)

1. PURPOSES. The purposes of this 1993 Long-Term Executive Compensation Plan are to provide incentives and rewards to those employees largely responsible for the success and growth of H&R Block, Inc., and its subsidiary corporations and to assist all such corporations in attracting and retaining executives and other key employees with experience and ability.

2. DEFINITIONS.

(a) AWARD means one or more of the following: shares of Common Stock, Restricted Shares, Stock Options, Incentive Stock Options, Stock Appreciation Rights, Performance Shares, Performance Units and any other rights which may be granted to a Recipient under the Plan.

(b) COMMON STOCK means the Common Stock, without par value, of the Company.

(c) COMPANY means H&R Block, Inc., a Missouri corporation, and, unless the context otherwise requires, includes its subsidiary corporations and their respective divisions, departments and subsidiaries and the respective divisions, departments and subsidiaries of such subsidiaries.

(d) INCENTIVE STOCK OPTION means a Stock Option which meets all of the requirements of an "incentive stock option" as defined in Section 422(b) of the Internal Revenue Code of 1986, as now in effect or hereafter amended (the "Internal Revenue Code").

(e) PERFORMANCE PERIOD means that period of time specified by the Committee during which a Recipient must satisfy any designated performance goals in order to receive an Award.

(f) PERFORMANCE SHARE means the right to receive, upon satisfying designated performance goals within a Performance Period, shares of Common Stock, cash, or a combination of cash and shares of Common Stock, based on the market value of shares of Common Stock covered by such Performance Shares at the close of the Performance Period.

(g) PERFORMANCE UNIT means the right to receive, upon satisfying designated performance goals within a Performance Period, shares of Common Stock, cash, or a combination of cash and shares of Common Stock.

(h) PLAN means this 1993 Long-Term Executive Compensation Plan, as the same may be amended from time to time.

(i) RECIPIENT means an employee of the Company who has been granted an Award under the Plan.

(j) RESTRICTED SHARE means a share of Common Stock issued to a Recipient hereunder subject to such terms and conditions, including, without limitation, forfeiture or resale to the Company, and to such restrictions against sale, transfer or other disposition, as the Committee may determine at the time of issuance.

(k) STOCK APPRECIATION RIGHT means the right to receive, upon exercise of a Stock Appreciation Right granted under this Plan, shares of Common Stock, cash, or a combination of cash and shares of Common Stock, based on the increase in the market value of the shares of Common Stock covered by such Stock Appreciation Right from the initial day of the Performance Period for such Stock Appreciation Right to the date of exercise.

(l) STOCK OPTION means the right to purchase, upon exercise of a Stock Option granted under this Plan, shares of the Company's Common Stock.

3. ADMINISTRATION OF THE PLAN. The Plan shall be administered by a Compensation Committee (the "Committee") consisting of directors of the Company, to be appointed by and to serve at the pleasure of the Board of Directors of the Company. A majority of the Committee members shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by a majority of the Commitee, shall be valid acts of the Committee, however designated, or the Board of Directors of the Company if the Board has not appointed a Committee.

The Committee shall have full power and authority to construe, interpret and administer the Plan and, subject to the powers herein specifically reserved to the Board of Directors and subject to the other provisions of this Plan, to make determinations which shall be final, conclusive and binding upon all persons including, without limitation, the Company, the shareholders of the Company, the Board of Directors, the Recipients and any persons having any interest in any Awards which may be granted under the Plan. The Committee shall impose such additional conditions upon the grant and exercise of Awards under this Plan as may from time to time be deemed necessary or advisable, in the opinion of counsel to the Company, to comply with applicable laws and regulations. The Committee from time to time may adopt rules and regulations for carrying out the Plan and written policies for implementation of the Plan. Such policies may include, but need not be limited to, the type, size and terms of Awards to be made to Recipients and the conditions for payment of such Awards.

4. ABSOLUTE DISCRETION. The Committee may, in its sole and absolute discretion (subject to the Committee's power to delegate certain authority in accordance with the second paragraph of this Section 4), at any time and from time to time during the continuance of the Plan, (i) determine which employees of the Company shall be granted Awards under the Plan, (ii) grant to any employee so selected such an Award, (iii) determine the type, size and terms of Awards to be granted (subject to Sections 6, 10 and 11 hereof, as hereafter amended), (iv) establish objectives and conditions for receipt of Awards, (v) place conditions or restrictions on the payment or exercise of Awards, and (vi) do all other things necessary and proper to carry out the intentions of this Plan; provided, however, that, in each and every case, those Awards which are Incentive Stock Options shall contain and be subject to those requirements specified in Section 422 of the Internal Revenue Code and shall be granted only to those employees eligible thereunder to receive the same.

The Committee may at any time and from time to time delegate to the Chief Executive Officer of the Company authority to take any or all of the actions that may be taken by the Committee as specified in this Section 4 or in other sections of the Plan in connection with the determination of Recipients, types, sizes, terms and conditions of Awards under the Plan and the grant of any such Awards, provided that any authority so delegated (a) shall apply only to Awards to employees of the Company that are not officers of Company under Regulation Section 240.16a-1(f) promulgated pursuant to Section 16 of the Securities Exchange Act of 1934, and (b) shall be exercised only in accordance with the Plan and such rules, regulations, guidelines, and limitations as the Committee shall prescribe.

5. ELIGIBILITY. Awards may be granted to any employee of the Company. No member of the Committee (other than any ex officio member) shall be eligible for grants of Awards under the Plan. An employee may be granted multiple forms of Awards under the Plan. Incentive Stock Options may be granted under the Plan to a Recipient during any calendar year only if the aggregate fair market value (determined as of the date the Incentive Stock Option is granted) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by such Recipient during any calendar year under the Plan and

any other "incentive stock option plans" (as defined in the Internal Revenue Code) maintained by the Company does not exceed the sum of $100,000.

6. STOCK SUBJECT TO THE PLAN. The total number of shares of Common Stock issuable under this Plan may not at any time exceed 7,000,000 shares, subject to adjustment as provided herein. All of such shares may be issued or issuable in connection with the

exercise of Incentive Stock Options. Shares of Common Stock not actually issued pursuant to an Award shall be available for future Awards. Shares of Common Stock to be delivered or purchased under the Plan may be either authorized but unissued Common Stock or treasury shares.

7. AWARDS.

(a) Awards under the Plan may include, but need not be limited to, shares of Common Stock, Restricted Shares, Stock Options, Incentive Stock Options, Stock Appreciation Rights, Performance Shares and Performance Units. The amount of each Award may be based upon the market value of a share of Common Stock. The Committee may make any other type of Award which it shall determine is consistent with the objectives and limitations of the Plan.

(b) The Committee may establish performance goals to be achieved within such Performance Periods as may be selected by it using such measures of the performance of the Company as it may select as a condition to the receipt of any Award.

8. VESTING REQUIREMENTS. The Committee may determine that all or a portion of an Award or a payment to a Recipient pursuant to an Award, in any form whatsoever, shall be vested at such times and upon such terms as may be selected by it.

9. DEFERRED PAYMENTS AND DIVIDEND AND INTEREST EQUIVALENTS.

(a) The Committee may determine that the receipt of all or a portion of an Award or a payment to a Recipient pursuant to an Award, in any form whatsoever, shall be deferred. Deferrals shall be for such periods and upon such terms as the Committee may determine.

(b) The Committee may provide, in its sole and absolute discretion, that a Recipient to whom an Award is payable in whole or in part at a future time in shares of Common Stock shall be entitled to receive an amount per share equal in value to the cash dividends paid per share on issued and outstanding shares as of the dividend record dates occurring during the period from the date of the Award to the date of delivery of such share to the Recipient. The Committee may also authorize, in its sole and absolute discretion, payment of an amount which a Recipient would have received in interest on (i) any Award payable at a future time in cash during the period from the date of the Award to the date of payment, and (ii) any cash dividends paid on issued and outstanding shares as of the dividend record dates occurring during the period from the date of an Award to the date of delivery of shares pursuant to the Award. Any amounts provided under this subsection shall be payable in such manner, at such time or times, and subject to such terms

and conditions as the Committee may determine in its sole and absolute discretion.

10. STOCK OPTION PRICE. The purchase price per share of Common Stock under each Stock Option shall be determined by the Committee, but shall not be less than market value (as determined by the Committee) of one share of Common Stock on the date the Stock Option or Incentive Stock Option is granted. Payment for exercise of any Stock Option granted hereunder shall be made (a) in cash, or (b) by delivery of Common Stock having a market value equal to the aggregate option price, or (c) by a combination of payment of cash and delivery of Common Stock in amounts such that the amount of cash plus the market value of the Common Stock equals the aggregate option price.

11. STOCK APPRECIATION RIGHT VALUE. The base value per share of Common Stock covered by an Award in the form of a Stock Appreciation Right shall be the market value of one share of Common Stock on the date the Award is granted.

12. CONTINUATION OF EMPLOYMENT. The Committee shall require that a Recipient be an employee of the Company at the time an Award is paid or exercised. The Committee may provide for the termination of an outstanding Award if a Recipient ceases to be an employee of the Company and may establish such other provisions with respect to the termination or disposition of an Award on the death or retirement of a Recipient as it, in its sole discretion, deems advisable. The Committee shall have the sole power to determine the date of any circumstances which shall constitute a cessation of employment and to determine whether such cessation is the result of retirement, death or any other reason.

13. REGISTRATION OF STOCK. Each Award shall be subject to the requirement that if at any time the Committee shall determine that qualification or registration under any state or federal law of the shares of Common Stock, Restricted Shares, Stock Options, Incentive Stock Options, or other securities thereby covered or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of or in connection with the granting of such Award or the purchase of shares thereunder, the Award may not be paid or exercised in whole or in part unless and until such qualification, registration, consent or approval shall have been effected or obtained free of any conditions the Committee, in its discretion, deems unacceptable.

14. EMPLOYMENT STATUS. No Award shall be construed as imposing upon the Company the obligation to continue the employment of a Recipient. No employee or other person shall have any claim or right to be granted an Award under the Plan.

15. ASSIGNABILITY. No Award granted pursuant to the Plan shall be transferable or assignable by the Recipient other than by will or the laws of descent and distribution and during the lifetime of the Recipient shall be exercisable or payable only by or to him or her.

16. DILUTION OR OTHER ADJUSTMENTS. In the event of any changes in the capital structure of the Company, including but not limited to a change resulting from a stock dividend or split-up, or combination or reclassification of shares, the Board of Directors shall make such equitable adjustments with respect to Awards or any provisions of this Plan as it deems necessary and appropriate, including, if necessary, any adjustment in the maximum number of shares of Common Stock subject to the Plan or the number of shares of Common Stock subject to an outstanding Award.

17. MERGER, CONSOLIDATION, REORGANIZATION, LIQUIDATION, ETC. If the Company shall become a party to any corporate merger, consolidation, major acquisition of property for stock, reorganization, or liquidation, the Board of Directors shall make such arrangements it deems advisable with respect to outstanding Awards, which shall be binding upon the Recipients of outstanding Awards, including, but not limited to, the substitution of new Awards for any Awards then outstanding, the assumption of any such Awards and the termination

of or payment for such Awards.

18. WITHHOLDING TAXES. The Company shall have the right to deduct from all Awards hereunder paid in cash any federal, state, local or foreign taxes required by law to be withheld with respect to such Awards and, with respect to Awards paid in other than cash, to require the payment (through withholding from the Recipient's salary or otherwise) of any such taxes. Subject to such conditions as the Committee may establish, Awards under the Plan payable in shares of Common Stock may provide that the Recipients thereof may elect, in accordance with any applicable regulations, to have the Company withhold shares of Common Stock to satisfy all or part of any such tax withholding obligations, with the value of such withheld shares of Common Stock based upon their fair market value on the date the tax withholding is required to be made.

19. COSTS AND EXPENSES. The cost and expenses of administering the Plan shall be borne by the Company and not charged to any Award nor to any Recipient.

20. FUNDING OF PLAN. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Award under the Plan.

1993 LONG-TERM EXECUTIVE COMPENSATION PLAN

21. AWARD CONTRACTS. The Committee shall have the power to specify the form of Award contracts to be granted from time to time pursuant to and in accordance with the provisions of the Plan and such contracts shall be final, conclusive and binding upon the Company, the shareholders of the Company and the Recipients. No Recipient shall have or acquire any rights under the Plan except such as are evidenced by a duly executed contract in the form thus specified. No Recipient shall have any rights as a holder of Common Stock with respect to Awards hereunder unless and until certificates for shares of Common Stock or Restricted Shares are issued to the Recipient.

22. GUIDELINES. The Board of Directors of the Company shall have the power to provide guidelines for administration of the Plan by the Committee and to make any changes in such guidelines as from time to time the Board deems necessary.

23. AMENDMENT AND DISCONTINUANCE. The Board of Directors of the Company shall have the right at any time during the continuance of the Plan to amend, modify, supplement, suspend or terminate the Plan, provided that in the absence of the approval of the holders of a majority of the shares of Common Stock of the Company present in person or by proxy at a duly constituted meeting of shareholders of the Company, no such amendment, modification or supplement shall (i) increase the aggregate number of shares which may be issued under the Plan, unless such increase is by reason of any change in capital structure referred to in Section 16 hereof, (ii) change the termination date of the Plan provided in Section 24, or (iii) delete or amend the market value restrictions contained in Sections 10 and 11 hereof, and provided further, that no amendment, modification or termination of the Plan shall in any manner affect any Award of any kind theretofore granted under the Plan without the consent of the Recipient of the Award, unless such amendment, modification or termination is by reason of any change in capital structure referred to in Section 16 hereof or unless the same is by reason of the matters referred to in Section 17 hereof.

24. TERMINATION. The Committee may grant Awards at any time prior to September 7, 2003, on which date this Plan will terminate except as to Awards then outstanding hereunder, which Awards shall remain in effect until they have expired according to their terms or until September 7, 2003, whichever first occurs. No Incentive Stock Option shall be exercisable later than 10 years following the date it is granted.

25. APPROVAL. This Plan shall take effect upon due approval by the shareholders of the Company.

EXHIBIT (10)(b)

H&R Block, Inc.
4410 Main Street
Kansas City, Missouri 64111
(816) 932-7577
Fax (816) 753-8628

Richard H. Brown
President and
Chief Executive Officer

December 20, 1995

BY FAX (610-525-7947) AND BY OVERNIGHT DELIVERY

Mr. George T. Robson
300 Caversham Road
Bryn Mawr, Pennsylvania 19010

Dear George:

I am delighted you have accepted my offer of employment as Chief Financial Officer of H&R Block, Inc. and I offer my sincere congratulations. I am looking forward to working with you.

As is the case with other officers of the parent holding company, your actual employer will be HRB Management, Inc. ("HRB"), an indirect wholly owned subsidiary of H&R Block, Inc. ("Block"). We have agreed that your employment with HRB will commence on January 15, 1995, or on such earlier date as you are able to leave your current employment and assume your responsibilities at Block. This letter will confirm the various matters that we have discussed relating to your compensation.

1. You will receive a base annual salary of $400,000, with a review of your salary by the Compensation Committee of the Board of Directors in June 1996 and any resulting adjustment effective in September 1996.

2. You will participate in the H&R Block Management Incentive Plan for fiscal year 1996 (the year ended April 30, 1996), with a target bonus amount for such year of $230,000. You will be paid $100,000 of such bonus on the effective date of your employment by HRB and the $100,000 is nonforfeitable. Any remaining bonus earned will be paid following the close of Block's books for the fiscal year (usually on or about June 30). Under the Plan, the actual award can range from zero to 150% of the target bonus amount, depending upon the attainment of certain financial goals by Block. For purposes of the Management Incentive Plan for fiscal year 1996, you will be considered to have been employed since May 1, 1995, and your actual award will not be prorated.

3. You will be eligible to participate in the H&R Block Deferred Compensation Plan for Executives in accordance with the provisions of such Plan. The Plan allows you to defer up to 35% of your base salary each year and up to 100% of bonus compensation, subject to

aggregate maximum deferrals for all years under the Plan of 280% of base salary. The Plan provides for a Company match of $.50 for each dollar deferred.

4. On the effective date of your employment, you will be granted an option to purchase 150,000 shares of Block Common Stock with an option price equal to the closing price for such stock on the New York Stock Exchange on the date of grant. The options will vest in one-third annual increments, commencing one year after the date of grant.

5. You will be eligible to participate in the H&R Block Executive Survivor Plan. The ESP provides for basic term life insurance coverage at Company expense in an amount equal to three times your base salary. You also have the opportunity to obtain supplemental coverage equal to two times your base salary, at reasonable premiums, and to prepay post-retirement premiums.

6. You will be protected against an involuntary "Change of Control" of Block, should such a Change of Control occur during the five-year period following the commencement of your employment with HRB. If at any time during the one-year period following such involuntary Change of Control, your employment is terminated without "cause" under Block's or HRB's policies in existence immediately prior to the Change of Control, or if you terminate your employment for any reason (or no reason) during the 60-day period following such involuntary Change of Control of Block, certain elements of your compensation will continue.

HRB will continue to pay your base salary for a two-year period following such termination, HRB will pay to you bonus compensation for the fiscal year in which the termination occurs and for the fiscal year following the year of termination, such bonus compensation to be equal to the target award amount for the year in which the termination occurs, vesting of nonvested stock options will accelerate and all stock options may be exercisable for three months following termination, and HRB will continue health, life and disability insurance benefits for up to two years following the termination to the extent that you do not obtain similar benefits from another party.

An involuntary Change of Control means (i) acquisition of beneficial ownership of 50% or more of Block's voting securities by an individual, entity or group other than Block or any of its affiliates without the prior approval of the Board of Directors of Block, or (ii) turnover of more than a majority of the directors on the Board of Directors of Block as a result of a proxy contest or series of proxy contests under the Securities and Exchange Commission proxy rules.

On the fifth anniversary of your employment by HRB, Block will consider and discuss with you the possible extension of the Change of Control provisions.

7. HRB provides to the officers of Block an income tax return preparation benefit pursuant to which HRB will reimburse you for fees that you pay for income tax return preparation services. You may select H&R Block, its Executive Tax Service, or another firm as the preparer of your returns. HRB will also "gross up" the amount of the reimbursement to cover any additional taxes that you will pay by virtue of the reimbursement of tax preparation fees.

8. HRB will provide to you at its expense a personal computer and a facsimile machine for use by you at your home during the term of your employment.

9. As an HRB employee, you will be eligible for a full range of employee benefits as per HRB's normal executive benefit program.

10. HRB will assist in your move to the Kansas City area in accordance with its normal relocation program, a copy of which is attached hereto. In addition, you will be paid a $10,000 allowance for incidental expenses related to your move to Kansas City.

If the foregoing reflects your understanding of the your compensation and benefits, please sign the acknowledgement below.

I am confident that your contribution to H&R Block's growth will be significant. We look forward to your joining our management team.

Sincerely,

/s/ Richard H. Brown

Acknowledgement:

/s/George T. Robson

- --------------------------

George T. Robson

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
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QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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